

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2013

FISCAL YEARS ENDED
JUNE 30, 2013 AND 2012

EMPLOYEES' RETIREMENT AND OTHER POSTEMPLOYMENT BENEFIT FUNDS

PENSION TRUST FUNDS OF THE
CITY OF NEWPORT NEWS, VIRGINIA



Comprehensive Annual Financial Report

The Newport News Employees' Retirement and Other Postemployment Benefits Funds

Pension Trust Funds of the
City of Newport News, Virginia

For the fiscal years ended June 30, 2013 and 2012

The Newport News Employees' Retirement and Other Postemployment Benefits Funds

Pension Trust Funds of the
City of Newport News, Virginia

Comprehensive Annual Financial Report

For the fiscal years ended June 30, 2013 and 2012

Prepared by the Department of Finance
2400 Washington Ave
Newport News, VA 23607

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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City of Newport News
Employees' Retirement Fund

LETTER OF TRANSMITTAL

November 7, 2013

The Honorable City Council
City of Newport News
Newport News, Virginia

The Honorable City Council:

The Board of Trustees of the Newport News Employees' Retirement Fund (Board, Retirement Board, or Trustees) is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Newport News Employees' Retirement and Other Postemployment Benefit Fund (NNERF, or the Plan) for the fiscal year ended June 30, 2013.

Cherry Bekaert LLP, Certified Public Accountants, conducted the audit of the Plan's financial statements for the year ended June 30, 2013, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is intended to provide a profile of the Plan and summary information about its economic condition, and is intended to complement the MD&A which should be read in conjunction.

Profile of the Funds

NNERF is a multi-employer, defined benefit, public employee retirement system established and administered by the City of Newport News (the City) to provide pension benefits for employees of the local government, including the non-professional employees of the Newport News School System (Schools). For school teachers and administrative support personnel employed by Schools, the Plan provides a supplement to the benefits they receive from the Virginia Retirement System. The Plan also provides other postemployment benefits (OPEB) for City retirees.

The Plan closed to new entrants as of July 1, 2009 for Schools and March 1, 2010 for the City. Effective January 1, 2013, the supplemental benefit to Schools VRS employees was "frozen", so that no future benefits accrue after that date. Also, employees began contributing a percentage of their

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

salary to the Plan, effective January 1, 2013 for the City employees and effective July 1, 2013 for Schools employees.

NNERF is comprised of two trust funds which are part of the City's financial reporting entity. NNERF is included in the financial statements of the City as a fiduciary fund type. The Plan maintains one fund for pension benefits and a separate fund for other post retirement benefits. All full-time regular employees hired before July 1, 2009 for Schools and before March 1, 2010 for the City are members of the Plan.

For the year ended June 30, 2013, the total payroll of the City and Schools was approximately \$357.6 million, of which approximately \$129.9 million (or 37%) was paid to NNERF participants.

Benefits and Services Provided

NNERF provides normal service retirement, early service retirement, and other retiree benefits such as health, dental, vision and life insurance and disability income. Members are vested after five years of credited service and are eligible for benefits at their early or normal service retirement date. The benefit provisions of the Plan are defined in Chapter 31 of the City code.

An information session is held with each benefit applicant to explain plan provisions, provide retirement income projections and assist with retirement planning. An online tool is available on the City's internal website where employees can model their individual retirement benefit and determine the amount of retirement benefit at different dates in the future.

Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits.

Administration of the Plan

The nine voting members of the Retirement Board (Board) oversee the operation of the Pension and OPEB Funds. Four members are appointed by City Council and five members are elected by and from among the NNERF employees of the City and Schools. The elected members serve staggered five year terms, and are eligible to serve for two consecutive terms. The appointed members serve two year terms and are eligible to serve four consecutive two year terms. The Director of Finance is the ex-officio Secretary of the Board and the administrative head of the Funds. The City Treasurer is the ex-officio Treasurer of the Funds. Advisors to the Board are the City Attorney, the City Internal Auditor, and a retiree appointed by City Council.

The Investment Committee is a sub-committee of the Board and oversees the investments of both Funds (Pension and OPEB) and makes recommendations to the Board regarding asset allocation, actuarial assumptions, professional advisors and other Fund related matters. The committee consists of six members nominated by the Board and appointed by City Council, plus the City Manager/designee. Two of the six must be members of the Retirement Board, and all must be recognized as experienced in financial matters. The City Manager/designee and two committee

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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members from the Board are appointed annually; the remaining four may serve up to four, two year terms.

Accounting System and Internal Control

Financial statements included in this report are the responsibility of NNERF's management and have been prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used to record assets, liabilities, and net assets, as well as additions (revenue) and deductions (expenses). Additions are recorded when earned regardless of the date of collection. Deductions are recorded when liabilities are incurred regardless of when payment is made.

The Board believes that the Plan's accounting system provides adequate internal controls. These controls are designed to provide reasonable, but not absolute, assurance regarding the safekeeping of assets against loss from unauthorized use or disposition, the reliability of the financial records for preparing financial statements and maintaining accountability for assets, and properly computing and paying retiree benefits. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of those costs and benefits requires estimates and judgments by management.

Funding Status-Pension

A pension plan is considered adequately funded when sufficient assets are available to meet all expected future obligations to participants. The NNERF funding objective is to meet benefit payments through annual employer and employee contributions that are sufficient to fully fund the Plan over the long term. Effective January 1, 2013, City employees contribute 5% of their salary towards the Plan. School employees who receive full benefits from NNERF began contributing effective July 1, 2013 at a rate of 1% of salary. Schools NNERF employees will contribute an additional amount each July 1st until the employee contribution reaches 5%.

The most recent actuarial valuation for the NNERF was performed using payroll data as of June 30, 2013 (see Actuarial Section). The funded status of the Pension Fund improved to 63% at June 30, 2013 from 58% at June 30, 2012.

The Actuarially Recommended Contribution, also known as the Annual Required Contribution (ARC) is the amount of employer and employee contributions to the Plan required each year to fully fund, over time, the estimated benefits to be paid out. For several years prior to 2010, the contributions to the Plan were significantly below the ARC. In 2010, the City committed to an eight year funding plan for NNERF which provides that the City contribute an increasing percentage of the ARC each year, so that for the year ending June 30, 2017 and beyond, the contribution to the Pension Fund will be at least 100% of the ARC. For the year ended June 30, 2013, the third year of the funding plan, the City contributed 65% of the ARC as determined by the actuarial valuation as of June 30, 2011.

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Additional information relative to the funded status of the Plan is provided in the Management's Discussion and Analysis (MD&A) and in the Actuarial Section. The Schedule of Funding Progress within the Financial Section includes historical trend information comparing the annual contributions recommended by the Plan actuary to the actual contributions made by the City.

Funding Status-OPEB

The City does not "pre-fund" its other post-employment benefits, and operates on a "pay as you go" basis. Actuarial valuations are conducted annually to determine the actuarial accrued liability, as if the post-employment benefits were prefunded. If the City were to decide to begin prefunding the OPEB obligation on an actuarial basis by contributing the Actuarially Recommended Contribution into the OPEB Fund, the actuarial accrued liability as of June 30, 2013 would be approximately \$152 million.

The City ensures that its contribution to the OPEB Fund is sufficient to cover all expenditures for the fiscal year. The fund was closed to new entrants in March, 2010, and a cap was placed on the dollar contribution which the City contributes to the cost of health care premiums to current and future retirees. The actuarially computed funded status of the OPEB Fund as of June 30, 2013 and 2012 was 12% and 7%, respectively.

Investment Authority and Policy

The Pension Fund assets returned 13.1% on a market value basis for the year ended June 30, 2013. However, due to the Fund's asset smoothing technique which recognizes only a portion of the capital appreciation and depreciation, the return on the actuarial asset value was 11.1%, well in excess of the assumed rate of return for the Funds of 7.75%. For the past five years, the Pension fund has experienced an annualized rate of return of 4.9% (based on market value). The assumed rate of return was lowered to 7.5% effective July 1, 2013.

The Board recognizes that the objective of a sound and prudent investment policy is to produce investment results which preserve the NNERF assets and maximize the earnings with an appropriate level of risk. The Board recommends, and City Council approves, the target asset allocations for the Funds. The Trustees believe that the established goals for the overall investment portfolio are reasonable and attainable, over the long term.

Actions of the Investment Committee are governed by an investment authority known as the "prudent person rule", as defined in the Code of Virginia, Section 51.1-803. The prudent person rule establishes standards for the fiduciaries of the Plan (the Trustees, in this case), and states that those fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries, and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under like circumstances.

The prudent person rule permits the Board to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to professional investment advisors. The Board has adopted a written Investment Policy to guide the investment policies, and

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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define guidelines and objectives used by the Trustees in exercising its responsibilities.

The Investment Committee of the Board, in conjunction with staff, monitors the Plan investments to ensure that the guidelines and objectives of the Investment Policy are being met. The Investment Committee has engaged a professional, independent advisory firm to monitor the performance of the Plan's fund managers. The independent advisor prepares monthly and quarterly statements which are presented to the Investment Committee for evaluation and review of the overall performance of the Plan and each individual fund manager. Goals are established for each fund manager, and attainment of those goals is a major factor on whether or not a manager's contract is renewed. Managers who fall below the Board's minimum objectives are subject to being replaced.

Professional Services

Professional consultants are appointed by the Trustees to perform services essential to the effective and efficient administrative, operational and investment activities of the NNERF. An independent auditors' report and a certification from the Plan actuary are included as part of this report. Other appointed professionals have also been engaged and are listed in this section on the Administrative Organization page.

Changes to the Plan

To address the challenges of declining real property values and declining revenues, the City has implemented several cost savings measures since 2009, including a freeze on merit increases, a hiring moratorium, and eliminating any cost of living or general wage increases for active employees in the fiscal years ended June 30, 2010, and 2011. In early 2012, the City Manager expressed to City Council the need to review whether changes should be made to better manage the future cost of health insurance and pension benefits for City employees and retirees.

A sub-committee of the Retirement Board, the Benefits and Welfare Committee, initiated a study of the Plan to investigate what action might be reasonably taken to ensure the sustainability of the Plan, protect the interests of the current retirees and active employees, and maintain the affordability of the Plan to the taxpayers of the City. In October, 2012, the Benefits and Welfare Committee made a package of recommendations to the Board regarding changes to NNERF, which would preserve all benefits earned in the past yet reduce the unfunded liabilities of the Plan moving forward. The recommendations were approved by the Retirement Board, and were recommended to City Council, who approved the recommendations in November, 2012.

The changes to the Plan were:

- 1- Employees were required to begin making contributions to the Plan of 5% of salary. City employees began making 5% of salary contributions effective January 1, 2013, while Schools employees started contributing 1% of salary effective July 1, 2013, and will increase their contribution annually until they reach the 5% requirement.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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- 2- The annual accrual rate for earning retirement service credit was changed from 1.85% to 1.65% for all employees (except Public Safety employees) effective January 1, 2013.
- 3- The maximum retirement allowance percentage was increased from 75% of Average Final Compensation to 80%. The increase is phased in over a three year period.
- 4- The COLA computation formula was reduced to 70% of the current formula.
- 5- Effective July 1, 2013, the effective start date for future COLA adjustments was changed to be the July 1st following the first twelve month anniversary of the employee's retirement date.

There were also changes in actuarial assumptions and methods as a result of the Study of Fund Experience for the period July 1, 2008 to June 30, 2012, including lowering the expected rate of return on the Fund from 7.75% to 7.5%.

The net result of these changes to the Plan provisions was an increase in the funded status of the Plan, and a reduction in the ARC for future years.

Awards and Acknowledgements

The Government Finance Officers Association of the United State and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newport News Employees' Retirement Fund for its Comprehensive Annual Financial Report (CAFR) for June 30, 2012.

A Certificate of Achievement may be awarded if the CAFR is judged to be easily readable, efficiently organized, with content exceeding program standards. The report must satisfy both US generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for one year only. The Board believes our current report continues to meet the program requirements, and we will submit it to the GFOA for consideration again this year.

This annual report reflects the combined effort of the Plan administrative staff. The Board would like to express our appreciation to all members of the Finance Department and the agencies and advisors who have contributed to the completion of this report.

Respectfully submitted, on behalf of the Retirement Board,



Frank James
Chairman
Board of Trustees



Tom Mitchell
Director of Finance
City of Newport News

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

**CITY GOVERNMENT OFFICIALS
(at June 30, 2013)**

City Council

McKinley L. Price, DDS	Mayor
Herbert H. Bateman, Jr	Vice Mayor
Robert Coleman	Member
Sharon P. Scott.....	Member
Tina L. Vick	Member
Joseph C. Whitaker	Member
Dr. Patricia P. Woodbury	Member

Office of the City Manager

Cynthia D. Rohlf	Interim City Manager
Alan K. Archer	Assistant City Manager

Department of Finance

Tom Mitchell	Director of Finance
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Other Officials

Marty Eubank.....	City Treasurer
Pricilla S. Bele.....	Commissioner of the Revenue
Charles T. Vester	Real Estate Assessor
Lisa Cipriano	Director of Budget and Evaluation
Cathy S. Matthews	Director of Internal Audit

City Manager Neil Morgan elected to retire at the end of May 31, 2013. Newport News City Council named Cynthia D. Rohlf the Interim City Manager effective June 1, 2013. Subsequently, James M. Bourey was appointed by Council as the City Manager, effective July 16, 2013.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

BOARD OF TRUSTEES

Frank James
Chairman
Public Works Trustee
Term Expires 12/31/17

Philip Hatchett
Vice Chairman
Citizen Trustee
Term Expires 12/31/14

Tom Mitchell
Ex-Officio Secretary
Director of Finance

Marty Eubank
Ex-Officio Treasurer
City Treasurer

Richard Caplan
Legal Advisor
Deputy City Attorney

Cathy Matthews
Internal Audit Advisor
Director of Internal Audit

William Keeler
Retiree Advisor
Term Expires 12/31/13

Bill Eastburn*
Citizen Trustee
Term Expires 12/31/14

Robert E. Lee*
Public Safety Trustee
Term Expires 12/31/16

Melita Breeden
Schools' Trustee
Term Expires 12/31/13

Richard Wuska*
Public Utilities Trustee
Term Expires 12/31/14

Arthur Gudikunst*
Citizen Trustee
Term Expires 12/31/13

Bobby Lanier
Citizen Trustee
Term Expires 12/31/14

Kimberly Powell*
General Employees' Trustee
Term Expires 12/31/15

The members of the Board are appointed and serve pursuant to Chapter 31 of the Newport News City Code which provides for nine (9) voting members. Four members appointed by City Council and five members elected by the employees make up the voting members. The appointed members must reside in the City and cannot be a City employee or member of the fund. The appointed members serve two year terms and are eligible to be appointed to serve four consecutive terms. One employee representative each is elected from general employees, waterworks, fire and police, public works and school employees, all serving five year staggered terms. The Director of Finance is the ex-officio secretary of the board and the administrative head of the fund. The City Treasurer is the ex-officio treasurer of the fund. A retiree member advisor appointed by City Council, the City Attorney and City Internal Auditor serve as advisors to the Board.

*Members of the Benefits and Welfare Committee, a sub-committee of the Retirement Board.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

COMMITTEE ON INVESTMENTS

Bobby Lanier*
Chairman
Board Member
Term Expires 12/31/13

Philip Hatchett*
Citizen Member
Term Expires 12/31/13

Cynthia D. Rohlf
Assistant City Manager
Term Expires 12/31/13

Tom Brooks
Citizen Member
Term Expires 12/31/14

Pax Goodson
Vice Chairman
Citizen Member
Term Expires 12/31/13

Arthur Gudikunst*
Board Member
Term Expires 12/31/13

Rick Elofson
Citizen Member
Term Expires 12/31/14

Tom Mitchell
Ex-Officio Secretary
Director of Finance

The committee consists of seven (7) members, one of whom is the City Manager or designee and the remaining six (6) members are appointed by City Council. Two (2) of the six (6) are members of the Board. The appointed members must reside in the City and have financial, real estate or investment background. The City Manager or designee and two (2) committee members from the Board are appointed annually; the remaining four (4) serve two year terms. The function of this committee is to make recommendations to the Board of Trustees for the investments of the Fund reserve or the sale of the securities of the Fund.

* Members of Board of Trustees.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT MANAGERS

Aberdeen Asset Management, Inc.
Philadelphia, PA

Cortina Asset Management
Milwaukee, WI

DePrince, Race & Zollo, Inc.
Winter Park, FL

Fiduciary Management
Milwaukee, WI

Lord Abbett & Company
Jersey City, NJ

The Molpus Woodlands Group, LLC
Jackson, MS

Navellier & Associates
Reno, NV
NNERF Timberland Investments
Atlanta, GA

Prudential Real Estate Advisor
Parsippany, NJ

StoneRidge Investment Partners, LLC
Malvern, PA

Atlanta Capital Management
Atlanta, GA

C.S. McKee
Pittsburgh, PA

Earnest Partners
Atlanta, GA

Goldman, Sachs & Co.
Chicago, IL

Mellon Financial Service Corporation
Boston, MA

Morgan Stanley Asset Management
New York, NY

NewSouth Capital Management, Inc.
Memphis, TN
Pier Capital
Stamford, CT

Richmond Capital Management
Richmond, VA

Templeton Investment Counsel, Inc.
Ft. Lauderdale, FL

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

ADMINISTRATIVE ORGANIZATION

Administrative Staff

Tom Mitchell
Director of Finance

Tonya O'Connell
Asst. Director of Finance

Brian Sypolt
Accountant II

Melanie Lowe
Payroll Coordinator

Micah Chavers
Benefit Coordinator

Brenda Vines
Administrative Coordinator

Janice Jones
Benefit Coordinator

Professional Services

Dahab Associates
Consultant
Bay Shore, New York

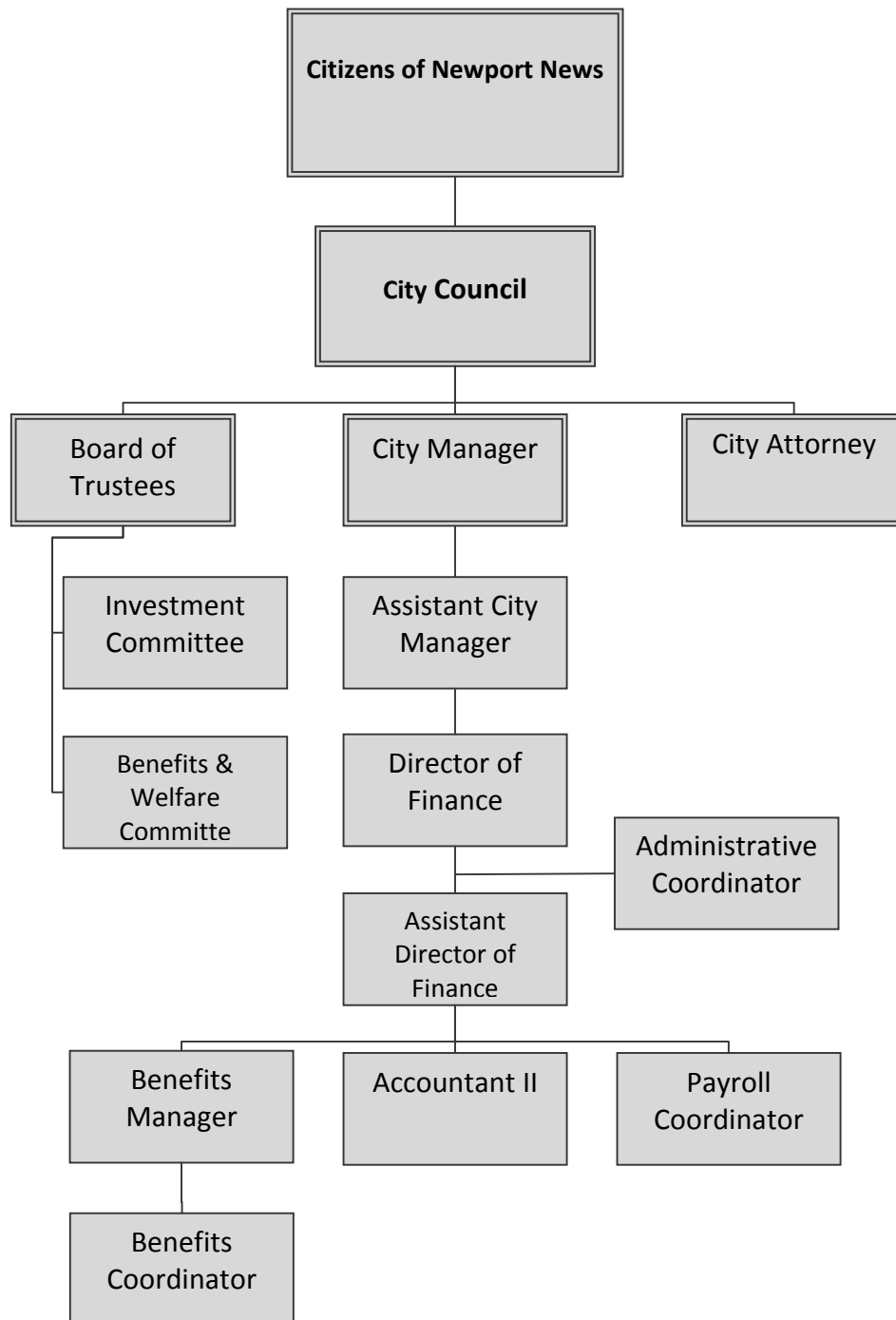
State Street Bank & Trust
Custodian
Kansas City, Missouri

Cheiron
Consulting Actuary
McLean, Virginia

Cherry Bekaert LLP
External Auditors
Richmond, Virginia

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**The Newport News Employees'
Retirement and Other Post Employment
Benefits Funds, Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

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Report of Independent Auditor

To the Board of Trustees
City of Newport News Employees' Retirement and
Other Postemployment Benefit Funds
Newport News, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Newport News Employees' Retirement and Other Postemployment Benefit Funds (the 'Funds'), a component unit of the City of Newport News, Virginia, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Funds' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the City of Newport News Employees' Retirement and Other Postemployment Benefit Funds, as of June 30, 2013 and 2012, and the respective changes in fiduciary net position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note A to the financial statements, in 2013 the Funds adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July, 1, 2011. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 3–10, and the Schedule of Funding Progress and the Schedule of Employer Contributions on pages 27 and 28, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newport News Employees' Retirement and Other Postemployment Benefit Funds' basic financial statements. The Introductory, Investment, Actuarial, and Statistical Sections, as well as the Schedule of Administrative Expenses and the Schedule of Investment Expenses on pages 29 and 30, respectively, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Administrative Expenses and the Schedule of Investment Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Administrative Expenses and the Schedule of Investment Expenses are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial, and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Richmond, Virginia
November 26, 2013

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Newport News Employees' Retirement and Other Post Employment Benefit Funds (NNERF or the Plan), we offer readers this narrative overview and analysis of the financial activities and funding status for the fiscal years ended June 30, 2013 (fiscal 2013) and June 30, 2012 (fiscal 2012). This discussion is intended to be read in conjunction with the basic financial statements, which directly follow.

The Plan covers employees of the City of Newport News, Virginia (the City) and the Newport News School System (Schools).

FINANCIAL HIGHLIGHTS

- The Pension Plan participants include approximately 3,100 City employees who are currently accruing benefits in the Plan, about 5,000 employees with vested benefits who are no longer accruing benefits or not yet receiving benefits, and an additional 5,200 retirees (or their beneficiaries) who are currently receiving retirement benefits from the Plan.
- The Plan has been closed to new entrants as of July 1, 2009 for Schools and as of March 1, 2010 for the City. Employees hired after those dates participate in the Virginia Retirement System (VRS) defined benefit pension plan.
- The Pension Fund assets exceeded liabilities at the close of the fiscal years 2013 and 2012 by \$774.1 million and \$709.5 million, respectively. The assets of the Pension Fund are held in trust to meet future payments of retirement benefits to retirees or their beneficiaries.
- The assets of the Other Post Employment Benefit (OPEB) Fund exceeded liabilities at the close of fiscal years 2013 and 2012 by \$20.5 million and \$15.6 million, respectively. The assets of the OPEB Fund are held in trust to meet future payments for health care benefits paid on behalf of retirees or their beneficiaries.
- Net investment income for fiscal 2013 for the Pension and OPEB Funds was \$92.1 million and \$2.7 million, an increase from fiscal 2012 earnings of \$4.9 million for the Pension Fund and a decrease of \$.2 million for the OPEB Fund. The increase in investment income was mostly due to the increase in the market value of the securities held by the Funds.
- Effective January 1, 2013, City employees began contributing 5% of their salary to the Pension fund. The total employee contributions for fiscal 2013 were \$3.1 million. The School employees began making contributions to the Fund July 1, 2013 of 1% of pay. Schools employees will start contributing an additional 1% of pay each July 1st, until they are contributing 5%.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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- Total payments from the Pension Fund increased from \$61.6 in fiscal 2012 to \$65.1 in fiscal 2013. The increases were due primarily to the increased number of retirees in 2012 and 2013, as well as the Cost of Living Adjustment of 2.10% which was applied to retirement benefits at July 1, 2012.
- Total payments from the OPEB Fund decreased from \$9.3 million for fiscal 2012 to \$8.3 million in fiscal 2013. The decrease was due to lower medical claims expense and an increase in the number of retirees who discontinued their medical insurance coverage with the City.
- Actual contributions made by the City and Schools to the Pension Fund (\$34.0 million for fiscal 2013, \$32.8 million for fiscal 2012, and \$27.4 million for fiscal 2011) were lower than the Actuarially Recommended Contribution (ARC) for those years. The Unfunded Actuarial Accrued Liability (UAAL) was lower by \$61.0 million at June 30, 2013 than at June 30, 2012, which was also lower than the prior year. A reduction in the UAAL results in an improvement in the funded status of the Plan.
- Although the City has established an OPEB Trust Fund to hold assets in trust for the payment of retiree health costs, there is no structured plan to prefund retiree health costs. The City operates on a pay as you go basis. Actual contributions by the City to the OPEB Fund were \$10.5 million for fiscal 2013, \$10.9 million for fiscal 2012, and \$11.8 million for fiscal 2011.

STATEMENT OF FIDUCIARY NET POSITION

The purpose of the Statement of Fiduciary Net Position is to show all of the Fund assets and liabilities, with the difference between the two reported as Net Position Held in Trust for Benefits. Over time, increases and decreases in net assets indicate whether the assets available for distribution are increasing or declining in respect to the Plan liabilities. The following is a condensed comparative summary of net assets as of June 30th:

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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**STATEMENT OF FIDUCIARY NET POSITION
as of June 30**

		Pension Fund		
		2013	2012	2011
Assets				
Cash	\$	21,457,215	\$ 56,188,559	\$ 35,070,039
Receivables		11,117,083	5,619,868	7,609,795
Investments, at fair value		747,765,870	670,340,306	694,177,901
Total Assets		<u>780,340,168</u>	<u>732,148,733</u>	<u>736,857,735</u>
Liabilities				
Accounts payable and other		<u>6,227,398</u>	<u>22,673,214</u>	<u>4,055,070</u>
Net position held in trust for pension benefits		<u>\$ 774,112,770</u>	<u>\$ 709,475,519</u>	<u>\$ 732,802,665</u>
		OPEB Fund		
		2013	2012	2011
Assets				
Cash	\$	4,801,730	\$ 2,142,341	\$ 3,908,111
Receivables		60,169	58,162	2,259,349
Investments, at fair value		17,812,359	15,028,148	10,119,770
Total Assets		<u>22,674,258</u>	<u>17,228,651</u>	<u>16,287,230</u>
LIABILITIES				
Accounts payable and other		<u>2,152,218</u>	<u>1,647,968</u>	<u>2,152,117</u>
Net position held in trust for postretirement benefit		<u>\$ 20,522,040</u>	<u>\$ 15,580,683</u>	<u>\$ 14,135,113</u>

During fiscal 2013, total net position held in the Pension and OPEB funds for future benefits increased \$69.6 million or 9.6% from the prior fiscal year, compared to a decrease of \$21.9 million or 2.9% for fiscal year 2012. The majority of the increase for fiscal 2013 resulted from the increase in the market value of the investments owned by the Fund.

During fiscal 2012, total net position held in the Pension and OPEB funds for future benefits decreased \$21.9 million or 2.9% from the prior fiscal year, compared to an increase of \$105.2 million or 16.4% for fiscal year 2011. The majority of the fiscal 2012 decrease resulted from a decrease in the market value of the investments owned by the Fund.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

The focus of the Statement of Changes in Fiduciary Net Position is to report the financial activity of the NNERF for the fiscal year. The following table summarizes the comparative financial activity for the fiscal years 2013, 2012 and 2011.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended June 30,**

	Pension Fund		
	2013	2012	2011
Additions			
Contributions	\$ 37,661,158	\$ 33,319,454	\$ 27,940,478
Net investment gain	92,104,887	4,914,971	131,681,480
Total additions	129,766,045	38,234,425	159,621,958
Deductions			
Pension benefits	64,132,912	60,779,356	57,486,400
Administrative expenses	995,882	782,215	714,598
Total deductions	65,128,794	61,561,571	58,200,998
Net increase (decrease)	64,637,251	(23,327,146)	101,420,960
Net position held in trust for pension benefits			
Beginning of the year	709,475,519	732,802,665	631,381,705
End of the year	\$ <u>774,112,770</u>	\$ <u>709,475,519</u>	\$ <u>732,802,665</u>
	OPEB Fund		
	2013	2012	2011
Additions			
Contributions	\$ 10,470,000	\$ 10,908,694	\$ 11,830,543
Net investment gain (loss)	2,725,094	(150,647)	1,591,007
Total additions	13,195,094	10,758,047	13,421,550
Deductions			
OPEB benefits	8,221,750	9,290,480	9,635,343
Administrative expenses	31,987	21,997	32,000
Total deductions	8,253,737	9,312,477	9,667,343
Net increase	4,941,357	1,445,570	3,754,207
Net position held in trust for postretirement benefits			
Beginning of the year	15,580,683	14,135,113	10,380,906
End of the year	\$ <u>20,522,040</u>	\$ <u>15,580,683</u>	\$ <u>14,135,113</u>

Additions to the Pension Fund are comprised of employer and employee contributions and the earnings on the investments held by the Fund. The City previously adopted a funding plan for the Pension Fund which progressively moves toward the City funding 100% of the Actuarially Recommended Contribution (ARC) each year. In fiscal 2013, the third year of the funding plan, City and Schools contributed \$34.0 million to the Pension Fund which was an increase over the \$32.8 million and \$27.4 contributions for fiscal years 2012 and 2011, respectively. In fiscal 2013, Employees contributed \$3.6 million to the Pension Fund which represents the 5% share of their payroll and purchase of prior service. In fiscal 2012 and 2011, the employees contributed towards purchase of prior service a total of \$.5 million each.

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Additions to the OPEB fund consist of insurance premiums paid by retirees and contributions from the City. The City does not have a formal funding plan to prefund the OPEB benefits, and makes monthly contributions to the OPEB Fund which are estimated as sufficient to pay all current medical claims incurred by Plan participants.

Investment results for the Pension and OPEB Funds for fiscal 2013 were significantly higher than the results for fiscal 2012, mostly because of the increase in the market value of the investments held by the Funds. Investment gains for the Pension Fund were higher in 2013 by \$87.2 million compared to fiscal 2012. For the OPEB Fund, investment results were \$2.9 million higher in fiscal 2013 than in 2012.

Investment results for the Pension and OPEB Funds for fiscal 2012 were significantly lower than the results for fiscal 2011, mostly because of the decline in the market value of the investments held by the Funds. Investment gains for the Pension Fund were lower in 2012 by \$126.8 million compared to fiscal 2011. For the OPEB Fund, investment results were \$1.7 million lower in fiscal 2012 than in 2011.

Deductions from the net assets of the Pension and OPEB Funds are the payments made for administrative expenses and payments to the retirees or on their behalf. Payments to retirees from the Pension Fund increased \$3.4 million in fiscal 2013 over fiscal 2012, an increase of 5.6%. The increase is largely due to the increase in number of retirees (from 5,007 in 2012 to 5,191 in 2013) and the cost of living adjustment which increased retiree benefits by 2.1% on July 1, 2012.

The increase in administrative expenses for 2013 is largely due to an increase in legal and professional fees incurred in the evaluation of the impact of changes in Plan benefits and a review of the Plan provisions.

Payments to retirees from the Pension Fund increased \$3.3 million in fiscal 2012 over fiscal 2011, an increase of 5.7%. The increase is largely due to the increase in number of retirees (from 4,718 in 2011 to 5,007 in 2012) and the cost of living adjustment which increased retiree benefits by 1.3% on July 1, 2011.

Payments from the OPEB Fund for retiree health claims declined in 2013 by over \$1,000,000 due to the decrease in participants resulting from more retirees terminating health coverage under the Plan.

PLAN MEMBERSHIP

The Newport News Employees' Retirement Fund has over 13,000 active or vested members and retirees, and provides pension benefits for employees of the local government, including the Newport News School System (Schools). Non-professional Schools employees are covered by NNERF. For professional school personnel (teachers and staff), NNERF is a supplement to their benefits under the Virginia Retirement System (VRS) plan. The School employees who are in NNERF are designated as "Schools-Non VRS" in the accompanying chart. The employees for whom NNERF provides only a retirement supplement are shown as "Schools-VRS" in the chart below. The Plan

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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was closed to new entrants as of July 1, 2009 for Schools and as of March 1, 2010 for the City. In addition, "Schools-VRS" employees' benefits were frozen effective December 31, 2012. This was the result of the change in the retirement accrual of 1.85% for each year service to 1.65%, which is the same as the VRS accrual. Since there was no longer a difference between the NNERF and the VRS accrual percentage, "Schools-VRS" employees are no longer entitled to a supplement benefit for time worked after January 1, 2013. The "Schools-VRS" employees with more than 5 years service are classified as "Vested Terminated Employees", since they are no longer Active Participants in the Plan. The following shows the Plan membership as of June 30th:

PLAN MEMBERSHIP - PENSION

	2013	2012
ACTIVE EMPLOYEES		
General	1,248	1,356
Police & Fire	851	911
Public Utilities	259	274
Schools - VRS	-	2,680
Schools - Non VRS	703	786
TOTAL	3,061	6,007
VESTED TERMINATED EMPLOYEES		
General	694	600
Police & Fire	239	223
Public Utilities	111	107
Schools - VRS	3,658	952
Schools - Non VRS	268	169
TOTAL	4,970	2,051
RETIREES & BENEFICIARIES		
General	1,099	1,030
Police & Fire	751	726
Public Utilities	227	213
Schools - VRS	2,355	2,288
Schools - Non VRS	759	750
TOTAL	5,191	5,007

FUNDED STATUS

The funded status of the Pension Fund reflects the Plan's ability to pay benefits over the long term. The funded status is measured by comparing the actuarial value of assets with the actuarial liability for benefits to be paid. The actuarial value of the Fund assets is determined by using a smoothing formula for gains and losses on investments which more accurately reflects the long term nature of the Fund and lessens the impact of significant market fluctuations for any given year. The actuarial liability is an estimate of the value of benefits to be paid in the future, based on the payroll as of June 30, 2013 and projected salary increases.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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The Pension Fund's funded status was 63.1%, 57.8% and 56.0% as of June 30, 2013, 2012 and 2011, respectively. The Plan's unfunded actuarial liability was \$435.5 million, \$496.8 million and \$503.2 million for those same dates. The funded status based on the market value of the Fund assets was 65.6%, 60.3% and 64.9%.

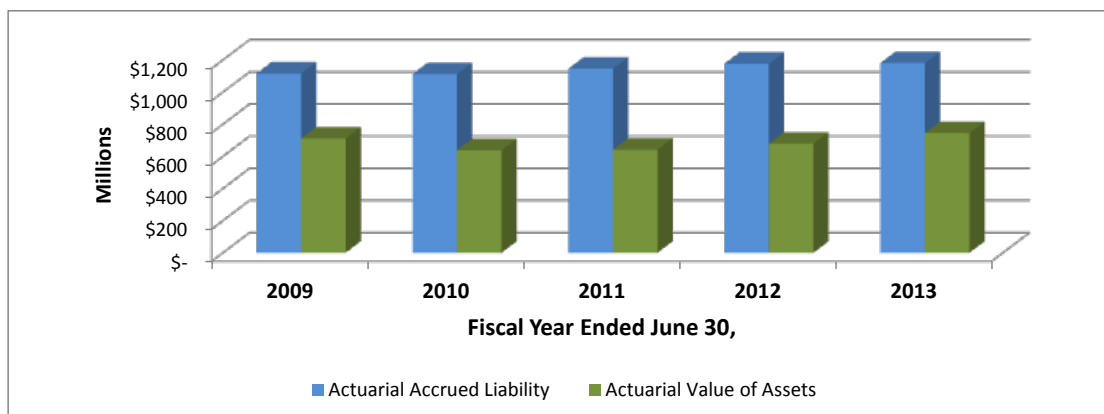
The funded status of a pension fund is significantly enhanced when contributions are made on a timely basis, and in amounts recommended by the actuary. For the past several years, the City contributions have been less than the amount recommended by the Fund's actuary, known as the Actuarially Recommended Contribution (ARC), and also as the Annual Required Contribution.

For the fiscal 2013, the contribution to the Pension Fund was \$37.0 million compared to the recommended contribution of \$56.8 million, a shortfall of \$19.8 million. For fiscal 2012, the contribution was \$32.8 million compared to the recommended \$55.0, a shortfall of \$22.2 million.

For the fiscal year ended June 30, 2013, the contribution to the OPEB Fund was \$10.5 million compared to the ARC of \$16.9 million, if the OPEB Fund was to be prefunded. The contribution for fiscal year 2012 was \$10.9 million compared to the ARC of \$17.9 million.

The actuary uses a five-year smoothing policy to establish the actuarial value of the assets used to determine the funded ratio for the Pension Fund. As of June 30, 2013, the market value of the Pension Fund assets were \$773.9 million compared to the actuarial valuation of \$744.4 million. As of June 30, 2012, the market value was \$709.5 million compared to the actuarial valuation of \$679.6 million.

The following graph indicates the actuarial accrued liability and actuarial value of assets of the Pension Fund for the last five fiscal years:



ECONOMIC CONDITIONS AND OUTLOOK

The U.S. economy continues to grow at a slow, irregular pace just as it has for the past four years. During the first half of 2013, real GDP only grew at an average 1.8% annual rate, the same rate as during the first half of 2012. We continue to believe that GDP growth will remain positive, albeit in

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the 1.5% to 2.5% range. Some economists are expecting a higher growth rate, but still below long term norms.

As a result, unemployment will continue to be a problem for several more years. The June 2013 unemployment figure of 7.3% was down significantly from last year's 8.2% figure. However, the current rate of job creation (between 160,000 and 180,000 per month) is inadequate to significantly reduce the numbers of chronically unemployed or underemployed.

Inflation for the twelve months ending June 30, 2013 was only 2.0% as measured by the CPI. The CPI inflation rate should stay low for the remainder of the calendar year. The Federal Reserve therefore has room to keep interest rates extremely low. However, at some point, perhaps two or three years out, most investors are expecting a return of inflation and higher interest rates.

CONTACTING FINANCIAL MANAGEMENT

The financial report is designed to provide users with an overview of the NNERF's financial performance and to demonstrate the prudent exercise of the Board's oversight. Any questions regarding this report or requests for additional financial information should be directed to the Newport News Employees' Retirement Fund, 2400 Washington Avenue, Finance Department - 7th Floor, Newport News, VA 23607.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

FINANCIAL SECTION

**Statements of Fiduciary Net Position
June 30, 2013 and 2012**

	Pension Fund	
	2013	2012
Assets		
Cash and cash equivalents	\$ 2,945,393	\$ 1,267,725
Cash and cash equivalents with trustee	18,511,822	54,920,834
	<u>21,457,215</u>	<u>56,188,559</u>
Receivables:		
City Contributions	1,603,404	2,964,712
Other Component Contributions	949,190	744,815
Interest receivable	590,226	573,620
Sales receivable	7,974,263	1,336,721
Total receivables	<u>11,117,083</u>	<u>5,619,868</u>
Investments, at fair value:		
Corporate and government bonds	167,098,089	170,489,323
Common stock of North American companies	342,550,423	278,370,502
International stocks	88,414,792	82,250,230
International mutual funds	56,208,155	53,018,188
Real Estate and Timber	93,494,411	86,212,063
Total investments	<u>747,765,870</u>	<u>670,340,306</u>
Total assets	<u>780,340,168</u>	<u>732,148,733</u>
Liabilities		
Accounts payable	172,668	200,701
Accrued vacation	40,831	27,295
Purchases payable	6,013,899	22,445,218
Total liabilities	<u>6,227,398</u>	<u>22,673,214</u>
Net position held in trust for Pension Benefits	<u>\$ 774,112,770</u>	<u>\$ 709,475,519</u>

See accompanying notes to basic financial statements

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)

FINANCIAL SECTION

Statements of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2013 and 2012

	Pension Fund	
	2013	2012
Additions:		
Employer Contributions:		
City General Fund	\$ 23,158,455	\$ 20,743,792
Waterworks Fund	2,748,766	2,710,289
School Operating Fund	8,061,060	7,318,237
Additional Contribution - Schools	-	2,013,744
Employee Contributions:		
City General Fund	2,732,342	-
Waterworks Fund	332,709	-
Other Contributions:		
Income from Leave Exchange	151,587	167,489
Employee Buy-back	476,239	365,903
Total contributions	<u>37,661,158</u>	<u>33,319,454</u>
Investment income:		
Net appreciation (depreciation) - bonds	(5,176,796)	7,926,558
Net appreciation (depreciation) - stocks	79,748,854	(16,827,913)
Interest	4,817,729	5,538,588
Dividends	14,375,289	8,208,211
Real estate operating income, net	2,695,295	4,334,454
Commission recapture	81,311	78,531
Total investment income	<u>96,541,682</u>	<u>9,258,429</u>
Less investment expenses:	<u>(4,436,795)</u>	<u>(4,343,458)</u>
Net investment income	<u>92,104,887</u>	<u>4,914,971</u>
Total additions	<u>129,766,045</u>	<u>38,234,425</u>
Deductions:		
Benefits paid to participants	64,132,912	60,779,356
Administrative expenses	995,882	782,215
Total deductions	<u>65,128,794</u>	<u>61,561,571</u>
Change in net position	64,637,251	(23,327,146)
Net position held in trust for Pension Benefits:		
Beginning of Year	709,475,519	732,802,665
End of Year	<u>\$ 774,112,770</u>	<u>\$ 709,475,519</u>

See accompanying notes to basic financial statements.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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**Statements of Fiduciary Net Position
June 30, 2013 and 2012**

	OPEB Fund	
	2013	2012
Assets		
Cash and cash equivalents	\$ 4,734,530	\$ 1,880,476
Cash and cash equivalents with trustee	67,200	261,865
	<u>4,801,730</u>	<u>2,142,341</u>
Receivables		
Sales receivable	60,169	58,162
Total receivables	<u>60,169</u>	<u>58,162</u>
Investments, at fair value:		
Domestic mutual funds	12,562,721	10,002,456
International mutual funds	5,249,638	5,025,692
Total investments	<u>17,812,359</u>	<u>15,028,148</u>
Total assets	<u>22,674,258</u>	<u>17,228,651</u>
Liabilities		
Accounts payable	643,643	1,019,241
Payable to City	1,464,481	455,708
Purchases payable	44,094	173,019
Total liabilities	<u>2,152,218</u>	<u>1,647,968</u>
Net position held in trust for Other Post Employment Benefits	<u>\$ 20,522,040</u>	<u>\$ 15,580,683</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

FINANCIAL SECTION

**Statements of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2013 and 2012**

	OPEB Fund	
	2013	2012
Additions:		
Employer Contributions:		
City General Fund	\$ 9,183,000	\$ 9,088,786
Additional Contribution - General Fund	-	600,000
Waterworks Fund	1,287,000	1,219,908
Total contributions	<u>10,470,000</u>	<u>10,908,694</u>
Investment income:		
Net appreciation (depreciation) - stocks	2,481,575	(308,250)
Interest	4,633	5,176
Dividends	323,393	208,987
Other investment income	606	2,284
Total investment income	<u>2,810,207</u>	<u>(91,803)</u>
Less investment expenses:	<u>(85,113)</u>	<u>(58,844)</u>
Net investment income (loss)	<u>2,725,094</u>	<u>(150,647)</u>
Total additions	<u>13,195,094</u>	<u>10,758,047</u>
Deductions:		
Benefits paid to participants	8,221,750	9,290,480
Administrative expenses	31,987	21,997
Total deductions	<u>8,253,737</u>	<u>9,312,477</u>
Change in net position	4,941,357	1,445,570
Net position held in trust for Other Postemployment Benefits:		
Beginning of Year	15,580,683	14,135,113
End of Year	<u>\$ 20,522,040</u>	<u>\$ 15,580,683</u>

See accompanying notes to basic financial statements

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements of the Newport News Employees' Retirement Fund (NNERF, or Plan) are prepared using the accrual basis of accounting. Member and employer contributions are recognized as revenue when due, pursuant to formal commitments as well as statutory or contractual requirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan, regardless of when paid. The City of Newport News (City) makes contributions, which are combined with investment earnings, to provide retirement benefits and administrative costs.

The NNERF and OPEB financial statements have been prepared in accordance with accounting principle generally accepted in the United States of America (GAAP). These standards require two basic financial statements: (1) a Statement of Fiduciary Net Position and (2) a Statement of Changes in Fiduciary Net Position. In addition, actuarially determined information about the funded status of the Plan and related funding progress is presented in two additional schedules: (1) a Schedule of Funding Progress and (2) a Schedule of Employer and Employee Contributions. GAAP also establishes certain parameters for the measurement of all actuarially determined information.

CHANGE IN ACCOUNTING PRINCIPLES

Effective July 1, 2011, the Fund adopted the provisions of Governmental Accounting Standards Board GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (Statement No. 63). This implementation required the Fund to present a Statement of Fiduciary Net Position, replacing previously presented Statement of Plan Assets, in the Fund's financial statements. The Fund's implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities sections, respectively. In practice, Statement No. 63 only impacts activities related to derivative instruments or service concession arrangements. The Fund has no deferred inflows or outflows.

METHOD USED TO VALUE INVESTMENTS

The investments of NNERF are reflected at fair value in the basic financial statements. Cash equivalents and short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of corporate and government bonds are based on quotations obtained from major credit rating agencies. Fair value of real estate investments

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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is based on independent appraisals and expert valuations. Instruments that do not have an established market are reported at estimated fair value. Purchases and sales of securities are recognized on the trade date, which is the date the order to buy or sell is originated.

ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from the estimates.

B PLAN DESCRIPTION

The Plan is a multi-employer, defined benefit, public employee retirement system established and administered by the City to provide pension and other postemployment benefits for employees of the City and the Newport News School System (Schools). For those school teachers and administrative support personnel employed by Schools, the Plan provides a small supplement to the Virginia Retirement System (VRS) plan. The Plan has been closed to new entrants effective July 1, 2009 for Schools and March 1, 2010 for the City. For Schools employees receiving a supplemental benefit under the NNERF, their supplemental benefit was frozen as of December 31, 2012.

The Plan consists of two separate funds, the Pension Fund (Pension) and the Other Postemployment Benefits (OPEB) Fund. The Plan's two Funds are considered trust funds of the City, so they are included and incorporated into the City's Comprehensive Annual Financial Report (CAFR). The City issues a publicly available CAFR that includes financial statements and required information for the Plan. The report may be obtained by writing to the City of Newport News Finance Department, 2400 Washington Avenue, Newport News, VA 23607.

The Pension Fund

All full-time regular employees hired prior to March 1, 2010 for the City and hired prior to July 1, 2009 for Schools are members of the Pension Fund. (Members who have earned a supplemental benefit are shown as "School VRS" members in the chart below.) Employees hired after the above dates are in VRS, a multiple-employer defined benefit pension plan administered by the Commonwealth of Virginia. For the years ended June 30, 2013 and June 30, 2012, the total payroll of the City and Schools was approximately \$357.6 million and \$338.3 million, respectively, with approximately \$129.9 million and \$248.5 million paid to employees covered by the Pension Fund. The significant decrease in covered payroll from 2012 is the result of the elimination of the pay for those Schools VRS employees no longer participating as of January 1, 2013. At June 30, 2013, membership in the Plan consisted of:

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

FINANCIAL SECTION

	Retirees and Beneficiaries	Terminated or Frozen Vested Employees	Active Employees Vested	Active Employees Non-Vested	Total
City general	1,099	694	1,138	110	3,041
City police and fire	751	239	733	118	1,841
Public utilities	227	111	239	20	597
School VRS	2,355	3,658	-	-	6,013
School Non-VRS	759	268	642	61	1,730
Total	5,191	4,970	2,752	309	13,222

The Pension Fund provides pension, life insurance and disability benefits. Members vest after five years of credited service. Employees who retire at or after age 60 (50 for police officers, firefighters and deputy sheriffs) with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% of their average final compensation for each year of credited service worked through February 28, 2010, 1.85% for each year of credited service from March 1, 2010 through December 31, 2012, and 1.65% for each year of credited service after January 1, 2013. (For public safety employees, the multiplier remains at 1.85% for time worked after January 1, 2013.) Average Final Compensation (AFC) is defined as the average compensation paid during the member's 36 highest paid consecutive months of credited service. Employees with 30 years (25 for police officers, firefighters and deputy sheriffs) credited service may retire at any age with full benefits. Employees (other than police officers, firefighters and deputy sheriffs) with 25 years of service may retire prior to age 60 and receive a reduced benefit. Members began contributing to the Pension Fund as of January 1, 2013 for City employees and July 1, 2013 for School employees. City employees in NNRF began to contribute 5% of their salary to the Plan as of January 1, 2013. Schools employees began contributing 1% of their pay effective July 1, 2013, and will contribute an increasing amount each July 1st until they are also contributing 5% of pay.

Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of Trustees of the contributions necessary to fund the benefits.

Employees with at least five years of credited service are eligible to purchase all or part of certain prior service credits and "non-qualified time", subject to IRS limits. The types of prior service eligible include time employed under other government programs and military service.

Pension Fund-Contributions Required and Contributions Made

The Plan engages an actuary to determine the Actuarially Recommended Contribution (ARC), sometimes referred to as the Annual Required Contribution. However, the City has not contributed 100% of the ARC to the Fund since 2004. In 2010, the City established an eight year funding program to begin fully funding the ARC by 2016. The City contributed 63% of the ARC in fiscal 2013 and 58% in 2012, and has budgeted to contribute 73% of the ARC in fiscal 2014.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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Effective January 1, 2013, the Pension Fund became contributory for employees. Contributions totaling \$33,968,281 and \$32,786,062 were made by the City to the Pension Fund during the years ended June 30, 2013 and June 30, 2012. Contributions totaling \$3,065,051 were made by employees to the Pension Fund during the year ended June 30, 2013. The percentage of contributions to covered payroll for fiscal 2013 was 28.5% and 13.2% for fiscal 2012. The percentage of normal costs to covered payroll was 8.11% and 5.40% for fiscal years ending June 30, 2013 and June 30, 2012, respectively.

The City's annual pension costs and net pension obligation to the Pension Fund for 2013 and 2012 were as follows (\$ in thousands):

		<u>2013</u>		<u>2012</u>
Annual required contribution (ARC)	\$	56,839	\$	55,011
Interest on net pension obligation (NPO)		15,172		13,543
Adjustment to ARC		(16,691)		(14,749)
Annual pension cost (APC)		<u>55,320</u>		<u>53,805</u>
Contributions made		<u>(33,968)</u>		<u>(32,786)</u>
Increase in net pension obligation		21,352		21,019
Net pension obligation at beginning of year		195,769		174,750
Net pension obligation at end of year	\$	<u><u>217,121</u></u>	\$	<u><u>195,769</u></u>

Pension Fund- Funded Status and Funding Progress

The funded status of the Pension Fund as of June 30 for the past three years was as follows (\$ in millions):

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Funded Ratio	63.1 %	57.8 %	56.0 %
Covered Payroll	\$ 129.9	\$ 248.5	\$ 261.8
UAAL as a percentage of covered payroll	335.4 %	199.9 %	192.2 %
Actuarial value of assets	\$ 744.4	\$ 679.6	\$ 641.4
Actuarial Accrued Liability (AAL)	\$ <u>1,179.8</u>	\$ <u>1,176.4</u>	\$ <u>1,144.6</u>
Unfunded AAL (UAAL)	\$ <u><u>435.4</u></u>	\$ <u><u>496.8</u></u>	\$ <u><u>503.2</u></u>

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits over time. Potential effects of legal and contractual limitations are not explicitly incorporated in benefits for financial reporting purposes.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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Analysis of the dollar amounts of actuarial valued assets, actuarial liability, and unfunded actuarial liability in isolation can be misleading. Expressing actuarial valued assets as a percentage of the actuarial liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

The actuarial assumptions have been approved by the Pension Board of Trustees, upon the recommendations from the Plan actuary, based on the experience study of the period July 1, 2008 through June 30, 2012. The significant actuarial assumptions are shown below:

Actuarial valuation date	July 1, 2013
Actuarial cost method	Entry age
Amortization method	Closed
Remaining amortization period	27 years
Asset valuation method	Five-Year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Rate of salary increases	Ultimate rate of 4.5%
Cost of living adjustment	1.9%
Inflation	2.8%

Pension Fund-Three Year Trend information

The chart below shows the changes in the APC and the Net Pension Obligation over the past three years.

(000's omitted)

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 55,320	61.4%	\$ 217,121
June 30, 2012	53,805	60.9%	195,769
June 30, 2011	55,660	49.2%	174,750

Other Postemployment Benefits (OPEB) Fund

The OPEB Fund provides medical benefits, insurance premium payments and dental insurance to City retirees who enroll in the programs offered. Schools retirees are not eligible for programs offered by the OPEB Fund and are offered different benefits through a separate fund established by Schools on their behalf. Once a retiree has withdrawn from the OPEB Fund by terminating coverage, they are not allowed to rejoin the plan. Benefits and contribution provisions are established by City Ordinance and may be amended only by the City Council. An actuarial service is employed to advise the City Council and the Retirement Board of the contributions necessary to fund the benefits.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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For reporting purposes, the assets, income and expenses of the OPEB fund were included with the Pension Fund from FY 2000 – 2007. However, the calculation of the net pension obligation for pension excluded OPEB contributions.

The City offers health and dental coverage to eligible retirees and their eligible dependents through the OPEB plan. Effective July 1, 2005, the City's contribution to retirees' medical insurance premiums was capped and annually adjusted with a CPI-based formula. Retirees must have at least 10 years of service to receive a premium contribution. Those having 25 years or more receive the maximum contribution. At age 65, the retiree's coverage converts to a Medicare Advantage insurance program. City participants who were eligible to retire before July 1, 2005 are provided a life insurance benefit of 50% of salary upon retirement. For participants not eligible to retire before July 1, 2005, the life insurance benefit is 50% of salary at retirement, and is reduced 20% per year after retirement, but not below \$10,000. The life insurance is provided at no cost to retirees.

Benefit provisions for the City are established and amended through the City Council. Since 1958, the City has allowed employees to continue their health, dental and vision coverage after retirement.

The actual cost to the fund for retirees' health care for the years ended June 30 is as follows:

	Health Insurance		Dental Insurance		Life Insurance	
	<u>Participants</u>	<u>Costs</u>	<u>Participants</u>	<u>Costs</u>	<u>Participants</u>	<u>Costs</u>
2013	1,282	\$ 7,370,709	1,393	\$ 497,019	1,757	\$ 354,022
2012	1,286	\$ 8,444,597	1,363	\$ 499,626	1,711	\$ 346,257
2011	1,347	\$ 8,790,299	1,360	\$ 503,747	1,694	\$ 341,297

Employees who leave City employment before meeting the age and service requirement for receiving a pension are not eligible for other post-retirement benefits.

OPEB Fund-Contribution Required and Contributions Made

The City does not have a formal funding policy for the OPEB Fund and operates on a pay-as-you-go basis. The City makes monthly contributions to the OPEB Fund in amounts sufficient to pay all claims and expenses, which are not covered by the retiree contributions to the Fund for their portion of their insurance premiums.

Contributions by the City to the OPEB Fund totaling \$10.5 million, \$10.9 million and \$11.8 million were made during the years ended June 30, 2013, June 30, 2012 and June 30, 2011. The following table shows the components of the City's annual OPEB costs for the year, the amounts contributed to the Plan, and changes in the City's net OPEB obligation:

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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	2013	2012	2011
Annual Required Contribution	\$ 16,868,638	\$ 17,891,772	\$ 18,290,221
Interest on net OPEB Obligation	895,268	627,798	376,117
Adjustment to annual required contribution:	(1,343,192)	(924,117)	(543,772)
Annual OPEB Cost	16,420,714	17,595,453	18,122,566
Contributions made	(10,470,000)	(10,908,694)	(11,830,543)
Increase in net OPEB obligation	5,950,714	6,686,759	6,292,023
Net OPEB obligation at beginning of fiscal year	22,381,697	15,694,938	9,402,915
Net OPEB obligation at end of fiscal year	\$ 28,332,411	\$ 22,381,697	\$ 15,694,938

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligations were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
June 30, 2013	\$ 16,420,714	63.76%	\$ 28,332,411
June 30, 2012	\$ 17,595,453	62.00%	\$ 22,381,697
June 30, 2011	\$ 18,122,566	65.28%	\$ 15,694,938

OPEB Fund-Funded Status and Funding Progress

The funded status of the OPEB Fund as of June 30, 2013, 2012 and 2011 was as follows:

(in millions)	2013	2012	2011
Actuarial value of assets	\$ 20.5	\$ 15.6	\$ 14.1
Actuarial Accrued Liability (AAL)	172.5	216.9	232.0
Unfunded AAL (UAAL)	\$ 152.0	\$ 201.3	\$ 217.9

(in millions)	2013	2012	2011
Funded Ratio	12.0 %	7.0 %	6.0 %
Covered Payroll	\$ 115.1	\$ 113.6	\$ 118.6
UAAL as a percentage of covered payroll	132.2 %	177.2 %	183.7 %

The required Schedule of Funding Progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial liability for benefits over time. Potential effects of legal and contractual limitations are not explicitly incorporated in benefits for financial reporting purposes.

Analysis of the dollar amounts of actuarial valued assets, actuarial liability, and unfunded actuarial liability in isolation can be misleading. Expressing actuarial valued assets as a

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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percentage of the actuarial liability provides one indication of the Plan's funding status on a going concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

C ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits are based on the substantive plan (the plan as understood by the City and Plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the Plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar Closed
Remaining amortization period	27 years
Asset valuation method	Market Value
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	3.00%
Ultimate rate of Medical inflation (capped by employer policy)	1.33%
Inflation	2.80%

D INVESTMENT POLICY

The Pension Fund can be invested in obligations of the U.S. or agencies thereof, obligations of the Commonwealth of Virginia, or political subdivisions thereof, corporate bonds rated A or higher by two of three nationally known security rating concerns, federally insured mortgages under Titles 203, 207, 220 and 221 of the National Housing Act, equities, certificates of deposit, guaranteed investment contracts and real estate. Pension Trust Fund investments are subject to restrictions placed by policies of the City Council and the Retirement Board.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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At year-end, the Pension and OPEB Funds' cash and investment balances were as follows:

Investments	Pension		OPEB	
	2013	2012	2013	2012
Investments				
Common and international stock	\$ 487,173,370	\$ 413,638,920	\$ 17,812,359	\$ 15,028,148
Corporate and government bonds	167,098,089	170,489,323	-	-
Pension fund real estate trust funds	93,494,411	86,212,063	-	-
Total Investments	747,765,870	670,340,306	\$ 17,812,359	\$ 15,028,148
Cash and deposits				
Deposits with banks	226,215	439,468	750,000	750,000
Deposits with banks - repurchase agreements	2,719,178	828,257	3,984,530	1,130,476
Pension trust fund money markets	18,511,822	54,920,834	67,200	261,865
Total deposits and investments	\$ 769,223,085	\$ 726,528,865	\$ 22,614,089	\$ 17,170,489

The Pension Fund's cash and investments as of June 30, 2013 and 2012 are classified in the accompanying financial statements as follows:

	Pension		OPEB	
	2013	2012	2013	2012
Cash and cash equivalents	\$ 2,945,393	\$ 1,267,725	\$ 4,734,530	\$ 1,880,476
Cash and cash equivalents with trustee	18,511,822	54,920,834	67,200	261,865
Investments, at market value				
Corporate and government bonds	167,098,089	170,489,323	-	-
Common stock	342,550,423	278,370,502	-	-
International stock	88,414,792	82,250,230	12,562,721	10,002,456
International emerging markets	56,208,155	53,018,188	5,249,638	5,025,692
Real Estate and Timber	93,494,411	86,212,063	-	-
Total deposits and investments	\$ 769,223,085	\$ 726,528,865	\$ 22,614,089	\$ 17,170,489

E CREDIT RISK OF PENSION FUNDS

The credit risk profile for the Pension Funds securities by investment type is as follows:

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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S & P's Ratings as of June 30, 2013						
Investment Types	TOTAL	AAA	AA	A	BBB	Not Rated
Asset-backed	\$ 17,896,472	\$ 11,634,419	\$ 347,151	\$ -	\$ -	\$ 5,914,902
Corporate Bonds	54,473,718	654,979	9,152,475	34,641,159	3,411,144	6,613,961
Foreign Currency	330,823	-	-	-	-	330,823
Mortgage-backed	56,803,565	4,549,795	39,705,664	-	-	12,548,106
Municipals	462,369	-	462,369	-	-	-
Mutual Funds	131,459,277	-	-	-	-	131,459,277
Real Estate Inv.	13,489,144	-	-	-	-	13,489,144
Short-term	18,256,225	-	-	-	-	18,256,225
U.S. Agencies	10,457,548	-	9,570,590	446,440	-	440,518
U.S. Treasury	26,993,378	-	-	-	-	26,993,378
Non-fixed Assets	435,655,173	-	-	-	-	435,655,173
Total	\$ 766,277,692	16,839,193	59,238,249	35,087,599	3,411,144	651,701,507

S & P's Ratings as of June 30, 2012						
Investment Types	TOTAL	AAA	AA	A	BBB	Not Rated
Asset-backed	\$ 17,652,546	\$ 13,704,517	\$ 775,872	\$ -	\$ -	\$ 3,172,157
Corporate Bonds	51,944,873	430,410	6,287,281	41,783,910	2,230,192	1,213,080
Foreign Currency	351,300	-	-	-	-	351,300
Mortgage-backed	66,755,850	6,027,137	47,120,688	-	-	13,608,025
Municipals	408,190	-	408,190	-	-	-
Mutual Funds	120,545,268	-	-	-	-	120,545,268
Real Estate Inv.	14,768,807	-	-	-	-	14,768,807
Short-Term	54,331,372	-	-	-	-	54,331,372
U.S. Agencies	14,994,478	-	14,714,650	-	-	279,828
U.S. Treasury	19,232,719	-	-	-	-	19,232,719
Non-fixed Assets	364,275,737	-	-	-	-	364,275,737
Total	\$ 725,261,140	20,162,064	69,306,681	41,783,910	2,230,192	591,778,293

Concentration of Credit Risk – Pension Fund

There were no investments in any one issuer that represented 5% or more of the total Pension Fund investments.

Custodial Risk – Pension and OPEB Funds

The policy requires that all securities purchased for the Pension and OPEB Funds shall be held by the City Treasurer or by the designated third-party custodian. If held by a custodian, the securities must be in the City's or in the custodian's nominee name. The custodian holds investment securities in the Fund's name. Accordingly, the Fund is not exposed to custodial credit risk.

Foreign Currency Risk – Pension Fund

The Pension Fund does not have a formal policy to limit foreign currency risk. Risk of loss arises from changes in currency exchange rates. The Pension Fund's exposure to foreign currency risk is as follows:

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

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<u>Investment</u>	<u>Currency</u>		
Cash equivalent	Euro currency	\$	17,235
Cash equivalent	Japanese yen		7,457
Common stock	Pound sterling		34,589
Common stock	Swiss franc		3,507
Total		\$	<u>62,788</u>

Interest Risk – Pension Fund

The Pension Fund's investment policy does not address investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy defines the investment objectives for both the passive and actively managed segments of the fixed income portfolio. The objective of the passive segment is to replicate the return of the Barclays Aggregate Bond Index, thus providing broad diversification that would be impractical to achieve in an actively managed portfolio. The objective of the actively managed fixed income portfolio is to outperform the Barclays Aggregate Bond Index over a moving 3-5 year range, with the exception of long duration fixed income, which has an objective of outperforming the Barclays Capital Long Government/Credit Index over a moving 3-5 year range. The fair value of the Pension Fund's fixed income portfolio consisted of the following investment and maturities as of June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>< 5 years</u>	<u>5 - 10</u>	<u>10 - 15</u>	<u>15 - 20</u>	<u>> 20 years</u>
US Government	\$ 37,450,925	\$ 15,036,160	\$ 7,402,345	\$ 6,268,540	\$ -	\$ 8,743,879
Municipal	462,369	128,707	-	-	-	333,662
Corporate Bonds	55,173,495	30,032,147	15,985,475	3,377,744	2,375,967	3,402,161
MTGE	74,700,095	46,865,560	27,740,574	-	-	93,961
Total	<u>\$ 167,786,884</u>	<u>\$ 92,062,574</u>	<u>\$ 51,128,394</u>	<u>\$ 9,646,284</u>	<u>\$ 2,375,967</u>	<u>\$ 12,573,663</u>

F UNFUNDED ACTUARIAL ACCRUED LIABILITY AND CHANGES IN PLAN

As of June 30, 2013 the Unfunded Actuarial Accrued Liability (UAAL) for the retirement plan was \$435.5 million, down \$61.3 million from the prior year. The UAAL for other postemployment benefits was \$152.0 million, down \$49.3 million from the prior year. The changes in the UAAL are attributed to a combination of factors recognized over the last ten years, including recently recognized mortality changes, the under-funding by the City, benefit enhancements during better economic times, investment losses recognized during 2000, 2001, and 2008, and the change in the actuarial assumption rate of return from 8.5% to 8.0% implemented in fiscal 2002, lowered to 7.75% in 2009, and to 7.5% in 2013. Also, in fiscal 2005 the amortization period was changed from 40 to 30 years.

At its November 27, 2012 meeting, City Council approved certain changes to the Newport News Employees' Retirement Fund. Effective January 1, 2013, the fund became a contributory fund with the members ultimately contributing five (5) percent of covered compensation. The

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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accrual rate for general employees (not including public safety employees) decreased from 1.85% to 1.65% prospectively, and the maximum retirement allowance percentage increased by 1.85% each year to a maximum of 80% of annual final compensation. Effective July 1, 2013, the effective start date for any cost of living adjustments is July 1st following the first twelve month anniversary of the employee's retirement, and the cost of living adjustment (COLA) was changed to 70% of the increase in the CPI-U.

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**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**Schedule of Funding Progress (unaudited)
Year ended June 30, 2013**

Historical trend information is presented herewith as required supplementary information. An actuarial valuation is performed annually at fiscal year end. Information from the six most recent valuations is presented below. This information is intended to help users assess the Fund's funding status, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Newport News Employee Retirement Fund (in millions):

Actuarial valuation date	Actuarial value of assets	Actual accrued liability (AAL)	Overfunded (underfunded) accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2013	\$ 744	\$ 1,180	\$ (436)	63%	\$ 130	-335.4%
June 30, 2012	680	1,176	(496)	58%	249	-199.2%
June 30, 2011	641	1,145	(504)	56%	262	-192.4%
June 30, 2010	638	1,110	(472)	57%	283	-166.8%
June 30, 2009	711	1,115	(404)	64%	314	-128.7%
June 30, 2008	772	1,030	(258)	75%	314	-82.2%

Newport News Employees' OPEB Fund (in millions):

Actuarial valuation date	Actuarial value of assets	Actual accrued liability (AAL)	Overfunded (underfunded) accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
June 30, 2013	\$ 21	\$ 173	\$ (152)	12%	\$ 115	-132.2%
June 30, 2012	16	217	(201)	7%	114	-177.2%
June 30, 2011	14	232	(218)	6%	119	-183.7%
June 30, 2010 *	10	237	(227)	4%	125	-181.7%
June 30, 2009 *	6	215	(209)	3%	136	-153.8%
June 30, 2008 *	9	194	(185)	5%	133	-138.4%

* 2010, 2009 and 2008 restated due to incorrect reported numbers.

The market value of assets represents a "snap-shot" or "cash-out" value which provides the principal basis for measuring financial performance from one year to the next. Market value, however, can fluctuate widely with corresponding swings in the market place. Because these fluctuations would result in volatility in the resulting contributions if the market value were used, unadjusted, in the valuation process, an actuarial value is developed.

The actuarial values are market values, which have been "smoothed" and are used for evaluating the Fund's ongoing liability to meet its obligations.

The actuarial value of assets is the current market value, adjusted by a three-year smoothing of appreciation and depreciation.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

REQUIRED SUPPLEMENTARY INFORMATION SECTION

Schedule of Contributions (Unaudited)

(in millions)

Year ended June 30, 2013

Newport News Employees' Retirement Fund (in millions):

Fiscal year ended	Annual required contribution	Actual contribution	Percentage contributed
2013*	\$ 56.8	\$ 37.0	65%
2012	55.0	32.8	60%
2011	56.7	27.4	48%
2010	41.0	21.2	52%
2009	40.5	19.7	49%
2008**	38.0	16.4	43%
2007	51.1	23.3	46%

Newport News Employees OPEB Fund (in millions):

Fiscal year ended		Annual required contribution	Actual contribution	Percentage contributed
2013		\$ 16.9	\$ 10.5	62%
2012		17.9	10.9	61%
2011		18.3	11.8	64%
2010		13.4	12.1	90%
2009	City	12.5	9.2	74%
	NNSS	14.9	3.2	21%
2008**	City	11.7	6.9	59%
	NNSS	18.2	3.1	17%

* Beginning January 1, 2013, City employees began contributing 5% of their salary.

** Beginning with June 30, 2008, pension and OPEB disclosures are reported separately.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
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FINANCIAL SECTION

Other Supplementary Information

**Schedule of Administrative Expenses
Year Ended June 30, 2013**

	Retirement		OPEB	
	2013	2012	2013	2012
Personal services:				
Staff salaries	\$ 335,401	\$ 317,478	\$ -	\$ -
Benefits	201,474	148,671	-	-
Office expenses	49,624	52,720	-	-
Total personal services	<u>586,499</u>	<u>518,869</u>	<u>-</u>	<u>-</u>
Board fees:				
Salaries	12,000	12,000	-	-
Benefits	820	960	-	-
Total board fees	<u>12,820</u>	<u>12,960</u>	<u>-</u>	<u>-</u>
Consultant fees:				
Audit fees	9,600	-	10,000	10,000
Consultant fees	135,000	135,000	-	-
Benefit consulting	30,000	35,000	-	-
Legal fees	136,625	20,000	-	-
Total consultant fees	<u>311,225</u>	<u>190,000</u>	<u>10,000</u>	<u>10,000</u>
Actuary fees				
Total actuary fees	<u>80,427</u>	<u>54,662</u>	<u>21,987</u>	<u>11,997</u>
Total actuary fees	<u>80,427</u>	<u>54,662</u>	<u>21,987</u>	<u>11,997</u>
Medical disability exams				
Professional health services	<u>4,911</u>	<u>5,724</u>	<u>-</u>	<u>-</u>
Total medical disability exams	<u>4,911</u>	<u>5,724</u>	<u>-</u>	<u>-</u>
Total administrative expenses	<u>\$ 995,882</u>	<u>\$ 782,215</u>	<u>\$ 31,987</u>	<u>\$ 21,997</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

FINANCIAL SECTION

Other Supplementary Information

**Schedule of Investment Expenses
Year Ended June 30, 2013**

	Retirement		OPEB	
	2013	2012	2013	2012
Manager fees	\$ 3,163,914	\$ 2,877,091	\$ 55,611	\$ 35,040
Custodain fees	1,241,261	1,413,093	29,131	23,096
Foreign tax	28,408	52,290	371	708
Actuary fees	3,212	984	-	-
Total investment expenses	<u>\$ 4,436,795</u>	<u>\$ 4,343,458</u>	<u>\$ 85,113</u>	<u>\$ 58,844</u>

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September 10, 2013

The Board of Trustees of the City of Newport News
Virginia Employees' Retirement System
2400 Washington Street
Newport News, Virginia 23607

Ladies and Gentlemen:

The City of Newport News Virginia Employees' Retirement System was created to provide retirement benefits for those employees who have earned a pension from the City. The Trustees, to set up the plan in a prudent manner, have issued policy and guidelines for their advisors. Under these guidelines the System can invest in common and preferred stocks traded on any major exchanges, U.S. Government or agency issued bonds, corporate bonds rated A or better at the time of purchase, commercial paper rated A1-P1, mortgage and asset backed securities including collateralized mortgage obligations limited to unleveraged priority or sequential pay tranches and subject to the quality rating limitations for all debt securities, Rule 144-A corporate bonds rated A or better at the time of purchase with the rights of registration attached. International investment managers may purchase international equity securities in ADR form or in direct form. Additionally, private equity investments in domestic companies are now permitted.

To maintain a diversified plan, the Trustees have set forth certain limitations in the policy and guidelines document. The maximum of total bond holdings in any one corporation should not exceed 10% of the long-term indebtedness of that corporation. Managers should advise the Trustees if an equity holding exceeds 15% of the advisor's portfolio.

The System is well diversified by security, by asset class, by investment manager and investment manager style. Current policy (as revised August 2012) allows for a target investment in domestic equities of 42%, international equities of 11%, emerging markets of 10%, real estate 3.8%, timber of 8% and bonds of 25%.

The Trustees have engaged Dahab Associates, Inc. to calculate and monitor the returns on a regular basis. We have calculated the rates of return from monthly statements provided by the custodian bank. The returns are reported gross of management and custodian fees, but net of transactions costs. All returns are monthly, time weighted and comply with the ICFA's GIPS standards and the Bank Administration Institute's methodology. In the fiscal year ending June 30, 2013, the fund earned 13.1%. The System earned an annualized 4.9% return during the last five years, and 7.4% during the last ten years. Both long term periods included the Recession of

2008 losses. Risk characteristics are calculated quarterly using appropriate statistical methodologies.

Respectfully,

A handwritten signature in black ink, appearing to read 'Richard E. Dahab', with a stylized flourish at the end.

Richard E. Dahab, CFA
Chairman

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

**Investment Performance, Policy, Statistics and Activity
Year Ended June 30, 2013**

The City of Newport News has created and funded an investment portfolio to provide retirement benefits for those employees who through their years of service have earned a right to a pension from the City. The purpose of this fund is to provide for the accumulation of money in an actuarially sound fashion so that the burden on taxpayers will be spread over the years of the employees' service. The Investment Policy and Guidelines have been designed to set forth the policies and guidelines for those who administer and invest the funds in the portfolio.

Investment Objectives

The Board of Trustees has adopted the Investment Policies and Guidelines, which outline the Fund's investment goals and objectives. In accord with a recent actuarial report, the Trustees have established long-term goals for the overall investment portfolio consistent with the liabilities of the fund. At a minimum, the fund in aggregate needs to earn a compound rate of return over a long period of 7.50%. Furthermore, the Trustees expect the fund to earn a real rate of return of at least 2.0% above the average rate of inflation as measured by the change in the Consumer Price Index (CPI) over a five-year period.

While the Trustees acknowledge that market conditions can produce short periods where such returns are impossible to achieve, the advisers are expected to contribute to meeting the long-term performance objectives of the system as well as others set forth in this document.

Asset Allocation

Based on the most current asset/liability simulation study, the Trustees feel that the following asset deployment will best be able to achieve the long-term goals of the system in terms of compound total rate of return and assumed risk:

Large Cap Equities	30.0%
Small Cap Equities	12.0
International Equities	11.0
Emerging Market Equities	10.0
Bonds	25.0
Timber	8.0
Real Estate	3.8
Cash	0.2

This target mix has been chosen for the aggregate total portfolio. From time to time the actual mix will fluctuate based on market conditions, performance, and cash flow considerations. However, it is desired that the fluctuations and overall residual cash positions be kept to a minimum.

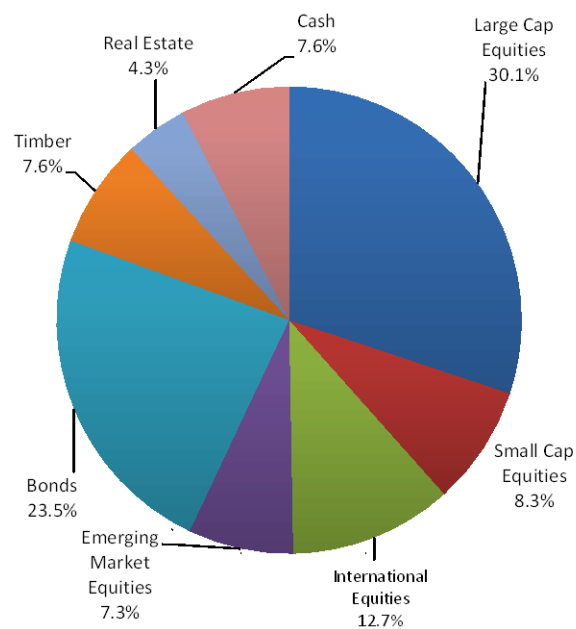
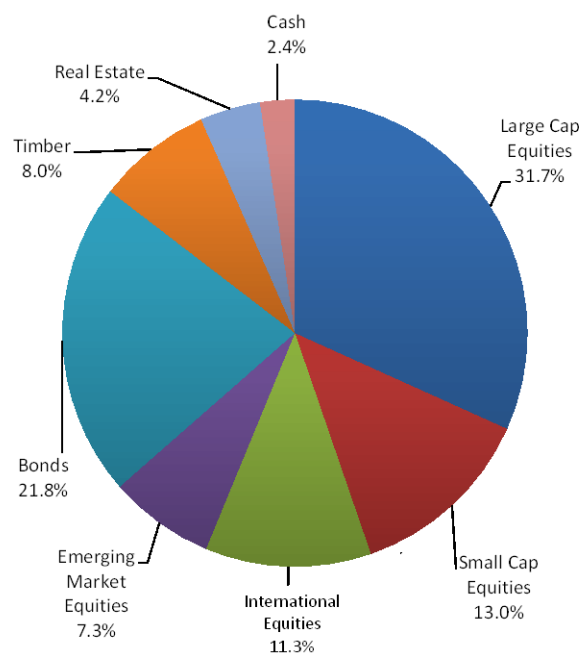
Each adviser has been apportioned funds assuming that he will be fully invested in his assigned sector with no more than 5-10% in cash equivalents. The advisers have not been hired to time the market and are not authorized to hold substantial cash positions for extended periods of time.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

ASSET ALLOCATION BY ASSET CLASS - RETIREMENT

June 30, 2013 and 2012



	2013	
Large Cap Equities	\$ 243,055,328	
Small Cap Equities	99,495,095	
International Equities	88,414,792	
Emerging Market Equities	56,208,155	
Bonds	167,098,089	
Timber	61,295,171	
Real Estate	32,199,240	
Cash	18,511,822	
	<u>\$ 766,277,692</u>	

	2012	
Large Cap Equities	\$ 218,165,601	
Small Cap Equities	60,204,901	
International Equities	82,250,230	
Emerging Market Equities	53,018,187	
Bonds	170,489,324	
Timber	54,960,146	
Real Estate	31,251,917	
Cash	54,920,834	
	<u>\$ 725,261,140</u>	

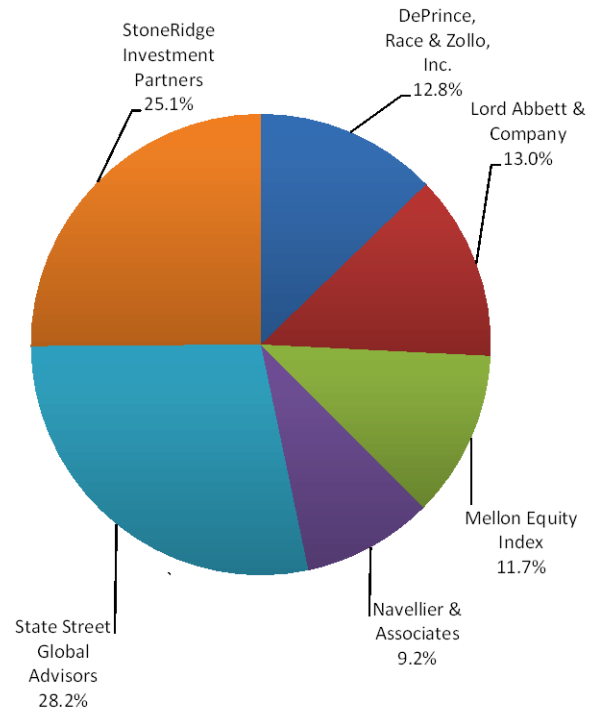
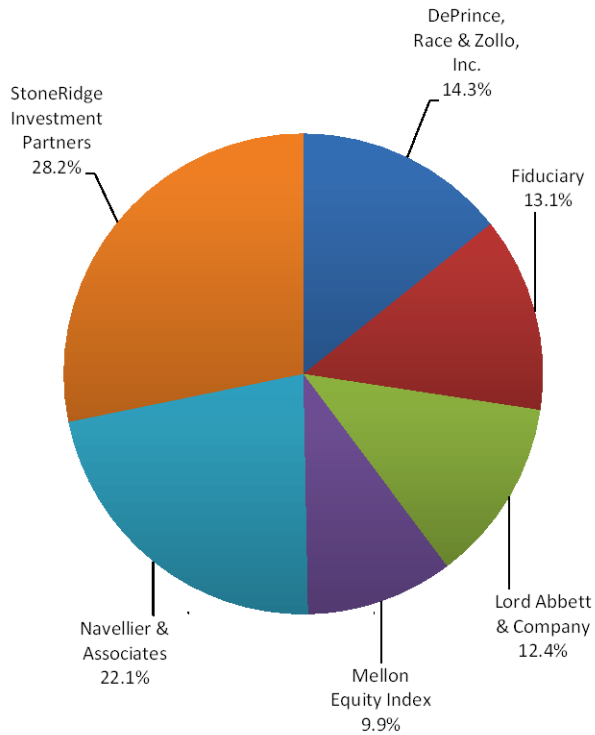
**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

Investment Managers and Investment Assignments - Retirement

Large Cap Equities

June 30, 2013 and 2012



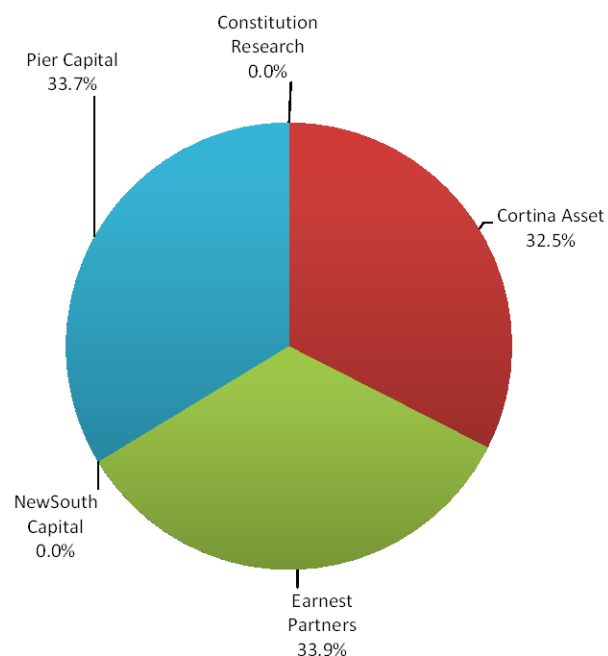
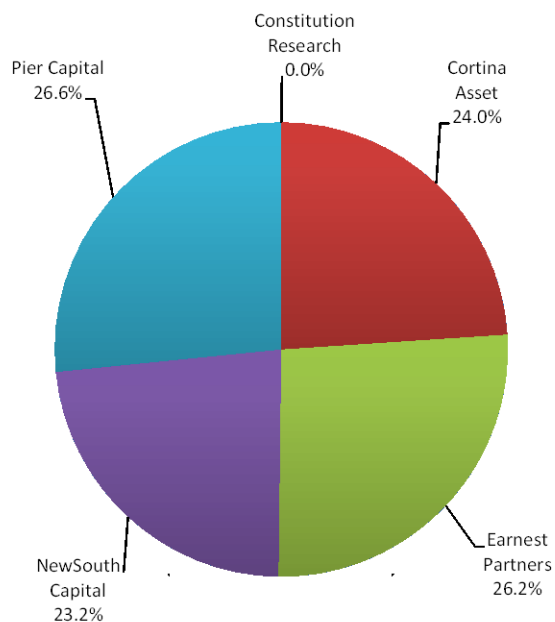
2013	
DePrince, Race & Zollo, Inc.	\$ 34,679,004
Fiduciary	31,905,995
Lord Abbett & Company	30,040,770
Mellon Equity Index	24,148,466
Navellier & Associates	53,720,958
StoneRidge Investment Partners	68,560,135
	<u>\$ 243,055,328</u>

2012	
DePrince, Race & Zollo, Inc.	\$ 27,853,404
Lord Abbett & Company	28,392,557
Mellon Equity Index	25,554,939
Navellier & Associates	20,042,795
State Street Global Advisors	61,546,959
StoneRidge Investment Partners	54,774,947
	<u>\$ 218,165,601</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

**Small Cap Equities
June 30, 2013 and 2012**



2013		
Constitution Research	\$	4
Cortina Asset		23,830,928
Earnest Partners		26,112,569
NewSouth Capital		23,106,924
Pier Capital		26,444,670
	\$	<u>99,495,095</u>

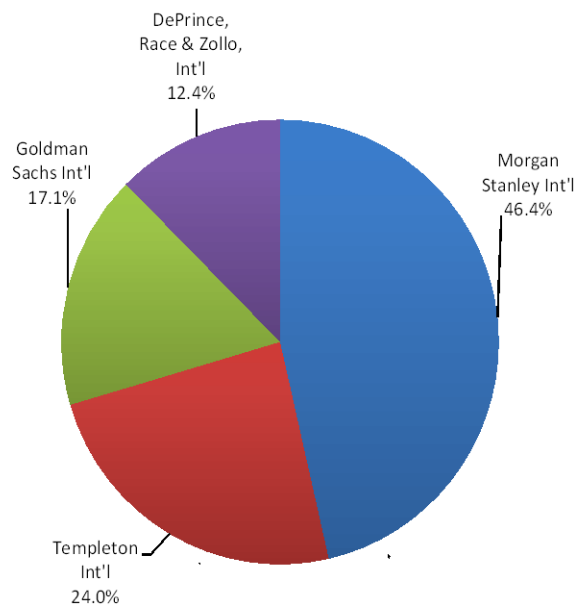
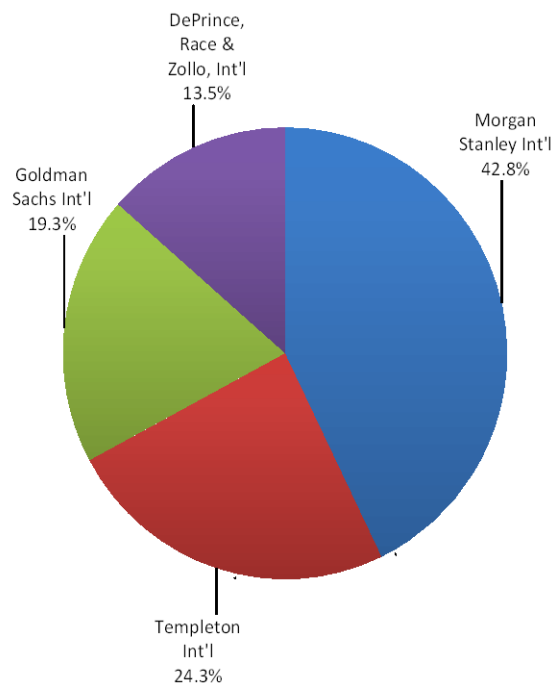
2012		
Constitution Research	\$	6
Cortina Asset		19,554,294
Earnest Partners		20,386,980
NewSouth Capital		-
Pier Capital		20,263,621
	\$	<u>60,204,901</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

International Equities

June 30, 2013 and 2012



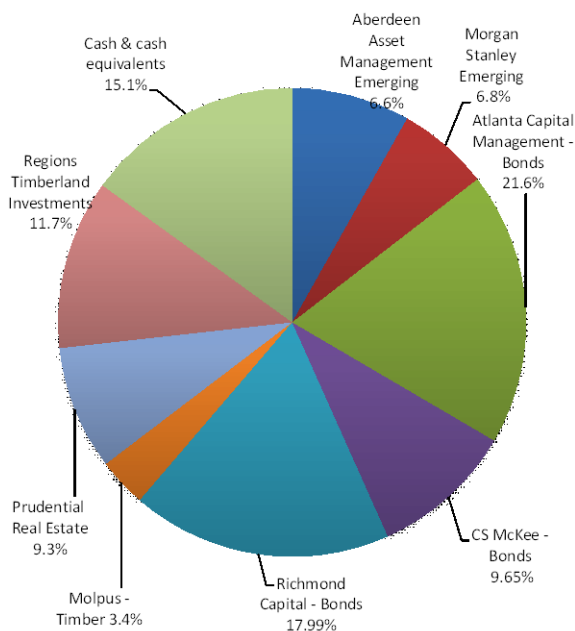
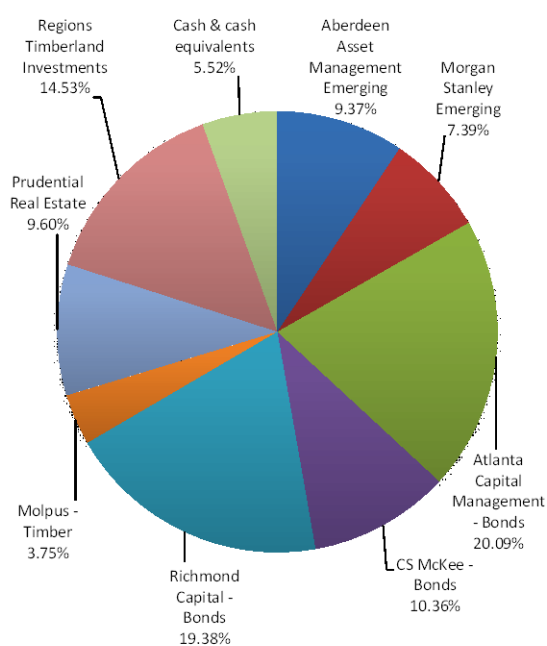
2013	
Morgan Stanley Int'l	37,881,904
Templeton Int'l	21,479,938
Goldman Sachs Int'l	17,084,907
DePrince, Race & Zollo, Int'l	11,968,043
	<u>\$ 88,414,792</u>

2012	
Morgan Stanley Int'l	38,186,113
Templeton Int'l	19,748,841
Goldman Sachs Int'l	14,078,624
DePrince, Race & Zollo, Int'l	10,236,652
	<u>\$ 82,250,230</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

**Emerging Market Equities, Bonds, Timber, Real Estate and Cash
June 30, 2013 and 2012**



2013		
Aberdeen Asset Management Emerging	\$	31,428,196
Morgan Stanley Emerging		24,779,959
Atlanta Capital Management - Bonds		67,380,572
CS McKee - Bonds		34,735,925
Richmond Capital - Bonds		64,981,592
Molpus - Timber		12,562,297
Prudential Real Estate		32,199,240
Regions Timberland Investments		48,732,874
Cash & cash equivalents		18,511,822
	\$	335,312,477

2012		
Aberdeen Asset Management Emerging	\$	29,840,882
Morgan Stanley Emerging		23,177,305
Atlanta Capital Management - Bonds		68,833,389
CS McKee - Bonds		36,050,940
Richmond Capital - Bonds		65,604,995
Molpus - Timber		12,299,412
Prudential Real Estate		31,251,917
Regions Timberland Investments		42,660,734
Cash & cash equivalents		54,920,834
	\$	364,640,408

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

SCHEDULE OF BROKER FEES AND COMMISSIONS - RETIREMENT

Year Ended June 30, 2013 and 2012

	<u>at 06/30/13</u>	<u>Fees</u>	<u>at 06/30/12</u>	<u>Fees</u>
Investment Managers				
Aberdeen Asset Management	\$ 31,428,196	\$ 312,892	\$ 29,840,882	\$ 574,162
Atlanta Capital Management	67,380,572	212,058	68,833,389	211,894
Brandes Int'l	-	3,085	-	186,798
Constitution Research	4	45,611	6	181,241
Cortina Asset Management	23,830,929	226,840	19,554,294	-
CS McKee	34,735,925	123,713	36,050,940	110,590
DePrince, Race & Zollo	34,679,004	189,392	27,853,404	214,936
DePrince, Race & Zollo Int'l	11,968,043	78,016	10,236,652	-
Earnest Partners	26,112,569	225,921	20,386,980	248,311
Fiduciary Management	31,905,995	209,350	28,392,557	217,736
Goldman Sachs	17,084,907	-	14,078,624	-
Lord Abbett & Company	30,040,770	209,114	25,554,939	245,265
Mellon Index	24,148,467	27,238	20,042,795	33,297
Molpus Timberland	12,562,297	118,886	12,299,412	-
Morgan Stanley Emerging	24,779,959	288,803	23,177,305	169,881
Morgan Stanley Int'l	37,881,904	330,124	38,186,113	224,732
Navellier & Associates	53,720,958	305,294	61,546,959	302,969
NewSouth Capital	23,106,924	170,919	-	-
Pier Capital	26,444,670	253,331	20,263,621	284,895
Prudential Real Estate	32,199,240	253,271	31,251,917	338,649
Richmond Capital	64,981,585	231,172	65,604,984	215,304
Short-term Investments	-	747	11	-
StoneRidge Investment Partners	68,560,135	337,066	54,774,947	304,850
Templeton Int'l	21,479,938	-	19,748,841	-
Timberland Investments	48,732,874	283,952	42,660,734	277,948
		<u>\$ 4,436,795</u>		<u>\$ 4,343,458</u>
Other Investment Services				
Investment Advisor				
Dahab Associates		<u>\$ 135,000</u>		<u>\$ 135,000</u>

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND (PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)

INVESTMENT SECTION

SCHEDULE OF INVESTMENT RESULTS

The following schedule compares rates of return for the Pension Plan portfolio with appropriate benchmark indices.

The Pension Plan's rate of return calculations are time weighted and comply with the ICFA's Global Investment Performance Standards (GIPS) and are net of fees. All data are for periods ending June 30.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Annualized</u>	
									<u>3 year*</u>	<u>5 year*</u>
TOTAL FUND	10.2%	16.7%	-3.4%	-19.1%	12.1%	22.0%	1.3%	13.1%	11.9%	4.9%
Median Return **	9.4%	16.3%	-4.1%	-16.6%	12.7%	21.1%	1.1%	12.2%	11.4%	5.4%
Shadow Index ***	10.1%	17.6%	-4.6%	-16.5%	10.5%	20.6%	1.6%	12.4%	11.3%	4.9%
Inflation (CPI)	4.3%	2.7%	5.0%	1.2%	1.1%	3.6%	1.8%	1.8%	2.4%	1.3%
Large Cap Segment	10.4%	17.8%	-8.1%	-28.1%	15.2%	32.5%	3.1%	21.0%	18.2%	6.5%
S & P 500	8.6%	20.6%	-13.1%	-26.2%	14.4%	30.7%	5.5%	20.6%	18.5%	7.0%
Russell 1000 Growth	6.1%	19.1%	-6.0%	-24.5%	13.6%	35.0%	5.8%	17.0%	18.7%	7.5%
Russell 1000 Value	12.1%	21.9%	-18.8%	-29.0%	16.9%	28.9%	3.0%	25.3%	18.5%	6.7%
Small Cap Segment	13.2%	15.1%	-9.0%	-25.3%	24.7%	42.0%	-8.9%	30.0%	18.9%	9.4%
Russell 2000	14.6%	16.4%	-16.2%	-25.0%	21.5%	37.4%	-2.1%	24.2%	18.7%	8.8%
Russell 2000 Growth	14.6%	16.8%	-10.8%	-24.9%	18.0%	43.5%	-2.7%	23.7%	19.9%	8.9%
Russell 2000 Value	14.6%	16.1%	-21.7%	-25.3%	25.1%	31.3%	-1.4%	24.8%	17.3%	8.6%
International Segment	22.8%	28.6%	-10.4%	-25.3%	5.0%	27.6%	-10.5%	19.8%	11.0%	1.4%
MSCI EAFE	27.1%	27.5%	-6.5%	-31.0%	6.4%	30.9%	-13.4%	19.1%	10.5%	-0.2%
Emerging Market Segment	34.4%	45.5%	-0.2%	-30.3%	27.2%	28.2%	-4.5%	7.4%	8.5%	2.5%
MSCI EMG MKT	35.9%	45.5%	4.9%	-27.9%	23.5%	28.1%	-15.7%	3.2%	3.7%	-0.1%
Real Estate Segment	21.5%	20.2%	7.0%	-42.4%	-6.6%	25.1%	16.0%	11.2%	17.3%	10.8%
NCREIF NFI-ODCE	19.2%	17.7%	8.0%	-30.9%	-5.9%	20.5%	12.4%	12.2%	14.9%	-1.0%
Timber Segment	-	-	-	-	-7.4%	8.0%	1.9%	1.5%	4.5%	-
NCREIF Timber	19.7%	11.9%	20.0%	3.3%	-3.5%	0.5%	1.1%	9.4%	3.6%	2.1%
Fixed Income Segment	-0.5%	6.2%	4.9%	1.1%	15.0%	4.8%	8.3%	-0.3%	4.2%	5.6%
Barclays Aggregate	-0.8%	6.1%	7.1%	6.1%	9.5%	3.9%	7.5%	-0.7%	3.5%	5.2%

* Periods greater than one year are shown annualized.

** Median Return from the total Client Universe

*** The Shadow Index is a custom index that matches the portfolio's asset allocation on a quarterly basis.

This index was calculated using the following benchmarks:

Large Cap Equity	S&P 500
Small Cap Equity	Russell 2000
International Equity	MSCI EAFE
Emerging Market	MSCI Emerging Markets
Real Estate	NCREIF Property Index
Timber	NCREIF Timber
Fixed Income	Barclays Aggregate Index
Cash & Equivalent	90-Day T Bills

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

**Top Ten Equity Holdings
June 30, 2013**

<u>RANK</u>	<u>NAME</u>	<u>VALUE</u>	<u>% EQUITY</u>	<u>INDUSTRY SECTOR</u>
1	JPMORGAN CHASE & CO	\$ 411,549	1.20%	Finance
2	WELLS FARGO & CO	3,618,554	1.06%	Finance
3	AMERISOURCEBERGEN CORP	3,242,383	0.95%	Service
4	APPLE INC	3,106,059	0.91%	Computer Tech
5	EXXON MOBIL CORP	3,078,857	0.90%	Energy
6	ALLIANCE DATA SYSTEMS CORP	2,902,816	0.85%	Service
7	THERMO FISHER SCIENTIFIC INC	2,880,382	0.84%	Technology
8	ACTAVIS INC	2,759,422	0.80%	NonDur Cons Good:
9	TIME WARNER INC	2,721,530	0.79%	Consumer Service
10	BANK OF NEW YORK MELLON CORP	2,620,291	0.76%	Service

**Top Ten Equity Holdings
June 30, 2012**

<u>RANK</u>	<u>NAME</u>	<u>VALUE</u>	<u>% EQUITY</u>	<u>INDUSTRY SECTOR</u>
1	APPLE INC	\$ 4,538,848	1.75%	Computer Tech
2	INTEL CORP	3,123,353	1.21%	Computer Tech
3	MICROSOFT CORP	2,891,397	1.12%	Computer Tech
4	WAL-MART STORES INC	2,597,070	1.00%	Consumer Service
5	INTL BUSINESS MACHINES CORP	2,594,369	1.00%	Service
6	TARGET CORP	2,318,522	0.90%	Consumer Service
7	BERKSHIRE HATHAWAY INC-CL B	2,249,910	0.87%	Finance
8	JPMORGAN CHASE & CO	2,183,960	0.84%	Finance
9	VISA INC-CLASS A SHARES	2,174,652	0.84%	Finance
10	ALLIANCE DATA SYSTEMS CORP	2,160,000	0.84%	Service

A complete list of portfolio holdings is available upon request.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

SUMMARY OF INVESTMENTS

June 30, 2013 and 2012

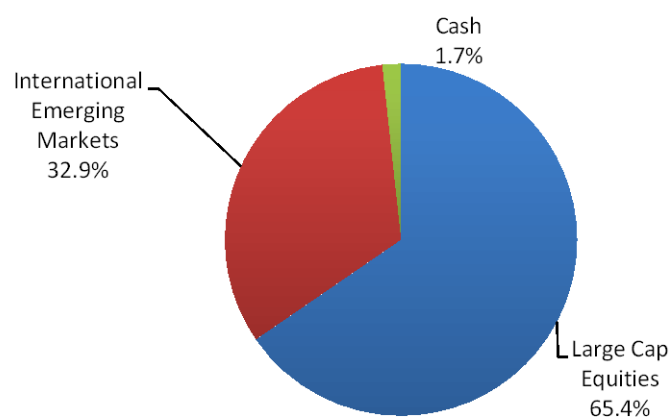
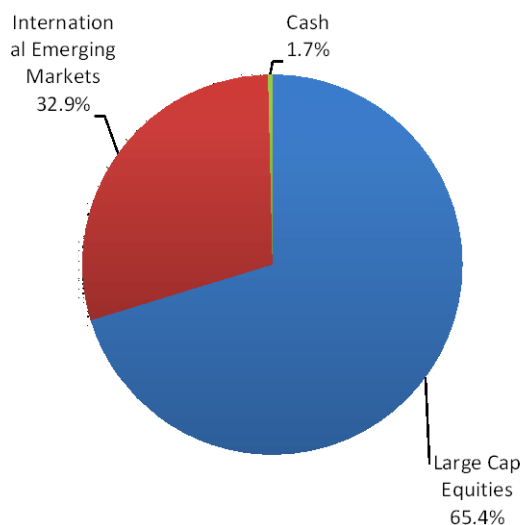
<u>Category of Investment</u>	<u>2013</u>		<u>2012</u>	
	<u>Fair Value</u> <u>6/30/2013</u>	<u>Percent of</u> <u>Total</u> <u>Fair Value</u>	<u>Fair Value</u> <u>6/30/2012</u>	<u>Percent of</u> <u>Total</u> <u>Fair Value</u>
Large Cap Equity	\$ 243,055,329	31.7%	\$ 218,165,601	30.1%
Small Cap Equity	99,495,096	13.0%	60,204,901	8.3%
International Equity	88,414,792	11.5%	82,250,230	11.3%
Emerging Markets	56,208,155	7.3%	53,018,187	7.3%
Real Estate	32,199,240	4.2%	31,251,917	4.3%
Timber	61,295,171	8.0%	54,960,146	7.6%
Fixed Income	167,098,082	21.8%	170,489,324	23.5%
Cash	18,511,827	2.4%	54,920,834	7.6%
Total Fund	<u>\$ 766,277,692</u>	<u>100.0%</u>	<u>\$ 725,261,140</u>	<u>100.0%</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

ASSET ALLOCATION BY ASSET CLASS - OPEB

June 30, 2013 and 2012



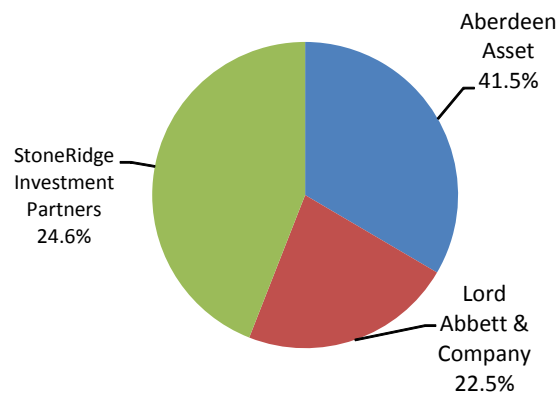
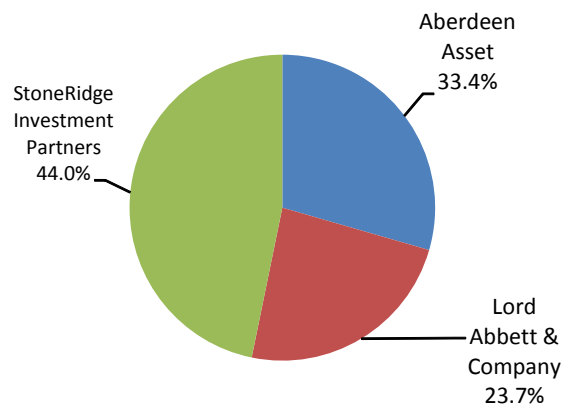
	2013	
Large Cap Equities	\$ 12,562,721	
International Emerging Markets	\$ 5,249,638	
Cash	67,200	
	<u>\$ 17,879,559</u>	

	2012	
Large Cap Equities	\$ 10,002,456	
International Emerging Markets	\$ 5,025,692	
Cash	261,865	
	<u>\$ 15,290,013</u>	

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

**Investment Managers and Investment Assignments - OPEB
Large Cap Equities and
International Emerging Markets
June 30, 2013 and 2012**



2013

Aberdeen Asset	\$	5,249,638
Lord Abbett & Company		4,230,040
StoneRidge Investment Partners		8,332,681
	\$	<u>17,812,359</u>

2012

Aberdeen Asset	\$	5,025,692
Lord Abbett & Company		3,383,515
StoneRidge Investment Partners		6,618,941
	\$	<u>15,028,148</u>

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

INVESTMENT SECTION

SCHEDULE OF BROKER FEES AND COMMISSIONS - OPEB

Year Ended June 30, 2013 and 2012

	Investments Under Management			Investments Under Management			
	at 06/30/13		Fees	at 06/30/12			
Investment Managers					Fees		
Aberdeen Asset Management	\$	5,249,638	\$	-	\$	-	
Lord Abbett & Company		4,230,040		38,261		35,166	
StoneRidge Investment Partners		8,332,681		46,852		23,678	
				\$	85,113	\$	58,844

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November 5, 2013

CONFIDENTIAL – VIA ELECTRONIC MAIL

Board of Trustees
Newport News Employees' Retirement Fund
City of Newport News
City Hall, 2400 Washington Ave
Newport News, Virginia 23607

Re: 2013 Certification of Actuarial Valuation

Dear Members of the Board:

We certify that the information presented herein is accurate and shows fairly the actuarial position of the City of Newport News Employees' Retirement Fund (NNERF) as of July 1, 2013, and the actuarial position of the Post Retirement Health and Welfare Benefits Fund as of July 1, 2013.

The Actuarial Valuation was based on participant data submitted by the City of Newport News Employees' Retirement Fund staff, which we examined for reasonableness. The financial information used in the valuation was provided to us by the City of Newport News finance department.

Actuarial valuations to determine the funding requirements of the Funds are performed annually. The most recent Actuarial Valuation was done as of July 1, 2013 for the Retirement Fund and as of July 1, 2013 for the Postretirement Benefit Fund.

The Retirement Fund has been closed to new entrants. The Fund's required contribution rates are established which, over time, will gradually decrease in dollar amounts and gradually increase as a percent of the decreasing closed payroll, if assumptions are met and the required rate is contributed. The required contribution has been determined to provide for (1) the normal cost developed as a level percentage of payroll, plus (2) a level dollar amortization of the unfunded actuarial accrued liability over a closed 30 year period from July 1, 2011.

The Post-Retirement Benefit Fund has also been closed to new entrants. The required contribution rates for the Post-Retirement Benefit Fund are established such that over time they will gradually decrease in dollar amounts and gradually increase as a percent of the decreasing closed payroll, if assumptions are met and the required rate is contributed. The required contribution has been determined to provide for (1) the normal cost developed as a level percentage of payroll, plus (2) a level dollar amortization of the unfunded actuarial accrued liability over a closed 30-year period from July 1, 2010.



Board of Trustees
November 5, 2013

The actuarial assumptions have been approved by the Board of Trustees upon recommendation from the experience study of the period July 1, 2008 to June 30, 2012. The assumptions and methods used for financial accounting purposes meet the parameters set for the disclosures presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit and Note Disclosures for Defined Contribution Plans* and in Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*.

We prepared all of the schedules shown in the Actuarial Section which follows this letter. We also provided information to complete the Schedule of Funding Progress and Schedule of Employer Contributions, which appear in the Financial Section of the City of Newport News Annual Report. Figures shown for years prior to 2010 were prepared by the prior actuary.

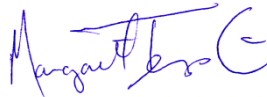
To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This report was prepared exclusively for the Newport News Employees' Retirement Fund for the purpose described herein. This report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron



Stephen T. McElhaney, FCA, FSA
Principal Consulting Actuary



Margaret Tempkin, FSA
Principal Consulting Actuary

Attachments

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

ACTUARIAL ASSUMPTIONS AND METHODS

A. Long-Term Assumptions Used to Determine Plan Costs and Liabilities

1. Demographic Assumptions

a. Healthy Active Mortality

RP-2000 Male and Female Mortality Tables for Active Employees projected to 2020 by scale AA.

Sample Rates of Active Mortality		
Age	Male	Female
25	0.031%	0.016%
30	0.040	0.022
35	0.070	0.038
40	0.092	0.052
45	0.116	0.081
50	0.149	0.119
55	0.206	0.215
60	0.353	0.356
65	0.571	0.527

b. Healthy Inactive Mortality

RP-2000 Male and Female Mortality Tables for Healthy Annuitants projected to 2020 by scale AA.

Sample Rates of Active Mortality		
Age	Male	Female
50	0.372%	0.166%
55	0.402	0.301
60	0.594	0.561
65	1.012	0.938
70	1.641	1.515
75	2.854	2.394
80	5.265	3.987
85	9.624	6.866
90	16.928	12.400

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

ACTUARIAL ASSUMPTIONS AND METHODS

c. Disabled Inactive Mortality

RP-2000 Male and Female Mortality Tables for Active Employees projected to 2010 by scale AA with ages set forward 5 years.

Sample Rates of Disabled Inactive Mortality		
Age	Male	Female
50	0.487%	0.326%
55	0.697	0.590
60	1.165	0.986
65	1.909	1.592
70	3.286	2.594
75	5.821	4.277
80	10.324	7.292
85	17.620	12.778
90	26.219	19.065

d. Rates of Active Disability

Sample Rates of Active Disability			
Fire & Police		All others	
Age	Unisex	Male	Female
20	0.090%	0.060%	0.040%
30	0.090	0.060	0.060
40	0.130	0.090	0.071
50	0.355	0.282	0.175
59	0.800	1.050	0.750

50% of the disability retirements among fire and police are assumed to be occupational and 10% of the disability retirements among all others are assumed to be occupational.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

ACTUARIAL ASSUMPTIONS AND METHODS

e. Termination of Employment (Prior to Normal Retirement Eligibility)

Percent of eligible active members terminating employment (not due to retirement, death, or disability) within the next year, based on the 2008-2012 fund experience.

Service	Rate
0	25.0%
1	19.0
2	15.0
3	12.0
4	10.0
5	9.5
6	9.0
7	8.5
8	8.0
9	7.5
10	7.0
11	6.5
12	6.0
13	5.5
14	5.0
15	4.5
16 & over	4.0

f. Retirement

Percent of eligible active members retiring with unreduced benefits within the next year, based on the 2008-2012 fund experience.

Firemen and Police¹	
Age	Rate
50 - 57	15%
57 - 61	20
62 - 64	40
65	100

All other Members (unreduced)²	
Age	Rate
60 - 63	24%
64	25
65 - 67	30
68 - 69	20
70	100

¹ It is assumed that firemen and policemen who have 25 years of service will retire prior to age 50 based on the following rates:

Age	Rate
Ages 40-44	10%
Ages 45-49	15

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

ACTUARIAL ASSUMPTIONS AND METHODS

- ² It is assumed that all other members with 30 years of service will retire prior to age 60 based on the following rates:

Age	Rate
Ages 47-49	13%
Ages 50-52	15
Ages 53-54	17
Ages 55-56	20
Ages 57-59	24

It is assumed that all other members with 25 years of service will retire (with a reduced benefit) prior to age 60 based on the following rates:

Age	Rate
Ages 45-49	13%
Ages 50-56	10
Ages 57-59	14

For School Board employees who are members of the Virginia Retirement System, whose benefits were frozen effective January 1, 2013, the benefits for each active employee are calculated based upon an expected retirement date calculated using the retirement rates from each person's earliest unreduced retirement age.

Vested terminations are assumed to retire at their earliest unreduced eligibility.

g. Family Composition

Male retirees are assumed to be three years older than their spouses. Female retirees are assumed to be two years younger than their spouses. 85% of non-retired employees are assumed married for both male and female employees.

Actual marital characteristics are used for pensioners.

2. Economic Assumptions

- a. Rate of Investment Return:** 7.50%
- b. Salary Increases:**
- For the City:
2.00% for the next four years
4.50% thereafter
- For the Non-VRS Schools;
3.00% for the next three years
2.00% for the fourth year
4.50% thereafter

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

ACTUARIAL ASSUMPTIONS AND METHODS

c. Cost-of-Living Adjustment: 1.33%

**d. Interest on
Employee Contributions:** 2.80%

3. Changes since Last Valuation

As a result of the 2008-2012 actuarial experience study, the following actuarial assumptions have been changed since the last valuation:

- Healthy active mortality
- Healthy inactive mortality
- Termination of employment
- Retirement
- Family composition
- Rate of investment return

The following assumption was changed as a result of a plan change:

- Cost-of-living adjustment
- Salary increases
- Interest on Employee Contributions

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost is determined as a level percent of pay individually for each active employee.

The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future normal costs. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial accrued liability in excess of plan assets is amortized to develop an additional cost or savings which is added to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

2. Actuarial Value of Assets

The current market value of assets is reduced (increased) for the current year and each of three succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/(loss) by which the current market value of assets is reduced (increased) shall be 80% in the current year, 60% in the first succeeding year, 40% in the second succeeding year, and 20% in the third succeeding year. The first such gains (or losses) under this method are for the year beginning July 1, 2012.

3. Amortization Method

The unfunded actuarial accrued liability is amortized as a closed 30-year level dollar amount from July 1, 2011. This report projects the UAL to July 1, 2014 and then calculates the FYE2014 contribution which amortizes the UAL over 27 years.

4. Changes since Last Valuation

The Entry Age Normal Cost Method was changed to calculate each person's normal cost based upon his projected plan benefits. Previously, normal cost was calculated for all plan participants based upon the current multiplier.

The method for calculating the Actuarial Value of Assets was changed. Previously, only realized and unrealized appreciation or depreciation was adjusted over a three year period.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

ACTUARIAL ASSUMPTIONS AND METHODS

Economic Assumptions

- 1. Measurement Date:** July 1, 2013
- 2. Discount Rate:** 4.0% per year
- 3. Inflation:** 2.8%
- 4. City Maximum Per Person Cost Trends:** Based upon the average inflation assumption of 2.8% and the formula for determining CPI increases, the per person cost trend rates are assumed to increase at a maximum rate of 1.33%. Note that we also assume the implicit subsidy grows at the same rate as the explicit subsidy reflecting the employer's policy of moving toward retiree premiums that reflect the full cost of retiree benefits.
- 5. Participant Contributions:** The following annual contribution rates are applied for the year beginning July 1, 2013 and are assumed to increase at the same rates as the per-person cost trends as shown above to value the city's portion of the liability. The City Rate represents the maximum premium contribution by the City towards the total premium. Health care trend rates that are larger than the 1.33% increase will be directly paid for by the retiree and thus not included in the City's liability.

Pre-Medicare Coverage Tier	City	Retiree	Total
PPO			
Single	\$ 4,808	\$ 4,312	\$ 9,120
Single / Minor	7,812	7,008	14,820
Single / Spouse	10,977	9,795	20,772
Family	13,222	11,666	24,888
HMO			
Single	\$ 4,808	\$ 3,136	\$ 7,944
Single / Minor	7,812	5,112	12,924
Single / Spouse	10,977	7,143	18,120
Family	13,222	8,486	21,708
HDHP			
Single	\$ 4,808	\$ 1,336	\$ 6,144
Single / Minor	7,812	2,172	9,984
Single / Spouse	10,977	3,027	14,004
Family	13,222	3,554	16,776

The maximum annual City contribution to a Medicare-eligible retiree is \$2,412 for all ages.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION
ACTUARIAL ASSUMPTIONS AND METHODS**

Dental Coverage Tier	City	Retiree	Total
Single	\$ 235	\$ 53	\$ 288
Two or more persons	436	80	516
Three or more persons	752	136	888

Life insurance is provided at no cost to the retiree.

6. Salary Increase:

2.00% for the next four years
4.50% thereafter

7. Changes Since Prior Valuation:

The following assumption was changed as a result of a plan change in the NNERF:

- Limited Trend (due to change in Cost-of-living adjustment formula)
- Salary increases

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

ACTUARIAL ASSUMPTIONS AND METHODS

Demographic Assumptions

- 1. Rates of Retirement:** Percent of eligible active members retiring with unreduced benefits within the next year, based on the 2008-2012 fund experience.

Firemen and Police¹	
Age	Rate
50 - 57	15%
57 - 61	20
62 - 64	40
65	100

All other Members (unreduced)²	
Age	Rate
60 – 63	24%
64	25
65 -67	30
68 – 69	20
70	100

- ¹ It is assumed that firemen and policemen who have 25 years of service will retire prior to age 50 based on the following rates:

Age	Rate
Ages 40-44	10%
Ages 45-49	15

- ² It is assumed that all other members with 30 years of service will retire prior to age 60 based on the following rates:

Age	Rate
Ages 47-49	13%
Ages 50-52	15
Ages 53-54	17
Ages 55-56	20
Ages 57-59	24

It is assumed that all other members with 25 years of service will retire (with a reduced benefit) prior to age 60 based on the following rates:

Age	Rate
Ages 45-49	13%
Ages 50-56	10
Ages 57-59	14

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

ACTUARIAL ASSUMPTIONS AND METHODS

- 2. Rates of Withdrawal:** Percent of eligible active members terminating employment (not due to retirement, death, or disability) within the next year, based on the 2008-2012 fund experience.

Service	Rate
0	25.0%
1	19.0
2	15.0
3	12.0
4	10.0
5	9.5
6	9.0
7	8.5
8	8.0
9	7.5
10	7.0
11	6.5
12	6.0
13	5.5
14	5.0
15	4.5
16 & over	4.0

- 3. Rates of Disability Retirement:** Sample rates are as follows:

Firemen and Police	
Age	Unisex Rate
20	0.09%
30	0.09
40	0.13
50	0.36
59	0.80

All other Members		
Age	Male	Female
20	0.06%	0.04%
30	0.06	0.06
40	0.09	0.07
50	0.28	0.18
59	1.05	0.75

It is assumed that 50% of the disability retirements among firemen and policemen will be occupational and 10% of the disabilities among all other members will be occupational.

- 4. Rate of Mortality:**

- a. Non-retired Members:**

RP-2000 Male and Female Mortality Tables for active employees projected to 2020 by scale AA.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

ACTUARIAL ASSUMPTIONS AND METHODS

b. Retired Members:

RP-2000 Male and Female Mortality Tables for healthy annuitants projected to 2020 by scale AA.

c. Disabled Mortality:

RP-2000 Mortality Table for healthy annuitants projected to 2010 by Scale AA, separate for males and females set forward 5 years. There is no projection for future mortality improvement.

- 5. Percent of Retirees Electing Coverage:** 85% of eligible retirees are assumed to participate in retirement. 60% of eligible retirees are assumed to cover a spouse.
- 6. Family Composition:** Assume 85% of members are married at retirement.
- 7. Dependent Age:** For current active employees, male retirees are assumed to be three years older than their spouses, and female retirees are assumed to be two years younger than their spouses. For current retirees, actual spouse date of birth was used, if known.
- 8. Changes since Prior Valuation:**

As a result of the 2008-2012 actuarial experience study, the following actuarial assumptions have been changed since the last valuation:

- Healthy active mortality
- Healthy inactive mortality
- Termination of employment
- Retirement
- Family composition

CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION

ACTUARIAL ASSUMPTIONS AND METHODS

Claim and Expense Assumptions

1. **Average Annual Claims and Expense Assumptions:** The following claim and expense assumptions are applicable from July 1, 2013 to June 30, 2014. Subsequent years' costs are based on the first year cost adjusted with trend.

Pre-Medicare Retirees and Spouses:

<u>Age</u>	<u>Medical</u>		<u>Pharmacy</u>		<u>Admin</u>	<u>Total</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>All</u>	<u>Male</u>	<u>Female</u>
40	\$2,634	\$4,942	\$859	\$1,267	\$395	\$3,888	\$6,604
45	\$3,215	\$5,024	\$1,159	\$1,549	\$395	\$4,769	\$6,968
50	\$4,193	\$5,751	\$1,600	\$2,044	\$395	\$6,188	\$8,190
55	\$5,475	\$6,659	\$2,137	\$2,630	\$395	\$8,007	\$9,684
60	\$7,145	\$7,879	\$2,749	\$3,209	\$395	\$10,289	\$11,484
64	\$8,966	\$9,231	\$3,196	\$3,490	\$395	\$12,557	\$13,116

Medicare-eligible Retirees and Spouses:

The maximum subsidy paid by the City for Medicare-eligible retirees and spouses is \$2,412 per year for medical coverage. Dental claims for Medicare-eligible participants are assumed to be \$331 at every age.

2. **Medicare Part D Subsidy:** Per GASB guidance, the Part D Subsidy has not been reflected in this valuation.
3. **Medicare Part B Premiums:** Assumed that Medicare eligible retirees pay the Medicare Part B premiums.
4. **Medicare Eligibility:** Age 65
5. **Annual Limits:** Assumed to increase at the same rate as trend.
6. **Lifetime Maximums:** Unlimited
7. **Geography:** Implicitly assumed to remain the same as current retirees.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

ACTUARIAL ASSUMPTIONS AND METHODS

Methodology

The Projected Unit Credit Actuarial Cost Method was used to value the Plan's actuarial liabilities and to set the normal cost. Under this method, benefits are projected for life, and their present value is determined. The present value is divided into equal parts, which are earned from date of hire to each decrement age. A closed 30-year amortization period from July 1, 2010 was used. The remaining amortization period at July 1, 2013 is 27 years. The amortization method is a level dollar amortization method. Assets are valued at market value.

The claims costs were developed using July 1, 2010 to June 30, 2011 retiree experience paid through June 30, 2012. Expenses were based on projection using contractual rates and projected costs. From this data, we developed per person per month (PPPM) costs and then adjusted those using age curves. The rates were then trended forward to the period July 1, 2012 to June 30, 2013 using an annual trend assumption of 8% for medical, 8% for pharmacy, and 7% for dental. Since plan experience was less than expected and less expensive pre-Medicare plans were introduced, the same pre-Medicare and dental rates developed for the fiscal year ending June 30, 2013 were used for the fiscal year ending June 30, 2014.

Changes since Last Valuation

None.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

PARTICIPANT DATA

**City of Newport News Employees' Retirement Fund Distribution of
Active Members by Age and Service as of June 30, 2013**

COUNTS BY AGE/SERVICE											
Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	0	10	1	0	0	0	0	0	0	0	11
25 to 29	0	54	81	1	0	0	0	0	0	0	136
30 to 34	0	62	177	27	0	0	0	0	0	0	266
35 to 39	0	55	137	75	19	1	0	0	0	0	287
40 to 44	0	28	127	107	89	49	2	0	0	0	402
45 to 49	0	29	107	97	88	90	57	7	0	0	475
50 to 54	0	32	113	115	84	91	81	36	6	0	558
55 to 59	0	17	86	104	83	81	66	41	25	3	506
60 to 64	0	14	71	60	52	45	21	19	8	2	292
65 to 69	0	5	22	25	17	8	7	3	2	3	92
70 & up	0	3	9	8	6	3	2	1	1	3	36
Total	0	309	931	619	438	368	236	107	42	11	3,061

**City of Newport News Employees' Retirement Fund Distribution of
Active Members by Age and Service as of June 30, 2013**

AVERAGE SALARY BY AGE/SERVICE											
Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	\$0	\$35,974	\$44,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$36,708
25 to 29	\$0	\$40,014	\$41,733	\$34,342	\$0	\$0	\$0	\$0	\$0	\$0	\$40,996
30 to 34	\$0	\$38,295	\$40,596	\$39,628	\$0	\$0	\$0	\$0	\$0	\$0	\$39,961
35 to 39	\$0	\$33,861	\$39,178	\$44,445	\$49,926	\$38,603	\$0	\$0	\$0	\$0	\$40,245
40 to 44	\$0	\$36,799	\$37,139	\$42,726	\$50,135	\$54,358	\$68,633	\$0	\$0	\$0	\$43,735
45 to 49	\$0	\$32,445	\$35,772	\$37,537	\$45,757	\$50,746	\$56,503	\$68,013	\$0	\$0	\$43,579
50 to 54	\$0	\$35,973	\$33,529	\$36,874	\$40,864	\$48,962	\$55,786	\$71,035	\$72,557	\$0	\$44,050
55 to 59	\$0	\$34,506	\$34,245	\$37,062	\$41,826	\$42,445	\$51,199	\$65,488	\$77,927	\$79,794	\$44,560
60 to 64	\$0	\$34,018	\$34,756	\$32,554	\$39,830	\$44,710	\$52,506	\$71,488	\$52,619	\$84,644	\$41,204
65 to 69	\$0	\$58,251	\$19,606	\$34,586	\$36,757	\$45,616	\$55,098	\$38,352	\$80,914	\$65,395	\$37,346
70 & up	\$0	\$21,059	\$21,506	\$16,653	\$16,622	\$39,236	\$42,769	\$42,167	\$45,128	\$32,282	\$24,363
Total	\$0	\$36,560	\$36,894	\$38,282	\$43,692	\$47,982	\$54,363	\$67,606	\$71,700	\$63,791	\$42,441

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

PARTICIPANT DATA

Schedule of Active Member Valuation Data (NNERF Total)				
Valuation Date June 30,	Number of Active Members	Annual Salaries of Active Members	Average Annual Pay	Percentage Increase in Average Pay
2013	3,061	\$ 129,912,288	\$ 42,441	1.03
2012	6,007	248,539,885	41,375	1.75
2011	6,438	261,789,409	40,663	1.43
2010	7,062	283,088,972	40,086	0.87
2009*	7,971	316,786,445	39,742	1.15
2008*	8,084	317,610,576	39,289	1.71
2007*	8,104	313,012,524	38,624	5.04
2006*	7,717	283,775,197	36,773	2.37

*Calculated by Prior Actuary

Schedule of Inactive Participants						NNERF Total	Total Less VRS
	General	Fire & Police	Waterworks	Non-VRS	VRS		
Retirees	929	651	187	657	2,222	4,646	2,424
Disableds	45	11	8	33	20	117	97
Beneficiaries	<u>125</u>	<u>89</u>	<u>32</u>	<u>69</u>	<u>113</u>	<u>428</u>	<u>315</u>
Total Inpay	1,099	751	227	759	2,355	5,191	2,836
Annual Benefits	23,382,233	21,178,390	5,454,863	6,209,466	9,570,456	65,795,408	56,224,952
Term Vested	694	239	111	268	3,658	4,970	1,312

**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED
FROM ROLLS**

<u>Year Ended</u>	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls - End of Year</u>		<u>% Increase in</u>	<u>Average</u>	<u>% Increase in</u>
	<u>No.</u>	<u>Annual Allowances*</u>	<u>No.</u>	<u>Annual Allowances*</u>	<u>No.</u>	<u>Annual Allowances*</u>	<u>Annual Allowances</u>	<u>Annual Allowances</u>	<u>Average Allowances</u>
6/30/2013	345	\$5,029,904	161	\$1,143,949	5,191	\$65,795,408	6.3%	\$12,675	2.5%
6/30/2012	406	5,354,281	117	969,011	5,007	61,909,453	7.6%	12,365	1.4%
6/30/2011	196	3,163,528	120	795,098	4,718	57,524,183	4.3%	12,192	2.6%
6/30/2010	535	5,545,790	224	1,773,694	4,642	55,155,753	927.8%	11,882	859.0%
6/30/2009	381	731,961	125	107,378	4,331	5,366,272	13.2%	1,239	6.6%
6/30/2008	452	528,870	89	15,791	4,081	4,741,689	12.1%	1,162	1.8%
6/30/2007	289	1,077,873	106	101,110	3,704	4,228,609	30.0%	1,142	22.8%
6/30/2006	382	457,083	80	55,846	3,497	3,251,845	14.1%	930	8.3%
6/30/2005	323	731,374	150	187,532	3,320	2,850,607	23.6%	859	16.9%
6/30/2004	264	270,185	51	1,172	3,141	2,306,767	13.2%	734	5.5%
6/30/2003	265	2,048,697	106	10,942	2,928	2,037,755		696	

* Includes post-retirement adjustments.

The valuation years prior to 6/30/2010 were performed by the prior actuary. We have not verified these numbers. The prior CAFR statement stated annual allowances, when in fact what was actually shown were monthly amounts. We have annualized them here in our exhibit.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

PARTICIPANT DATA

Active Participant Data as of July 1, 2013

Age Group	Eligible Active Employees Years of Service								Total
	< 5	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	
Under 25	15	1	0	0	0	0	0	0	11
25 to 30	51	78	0	0	0	0	0	0	129
30 to 35	56	158	19	0	0	0	0	0	233
35 to 40	41	116	66	17	1	0	0	0	241
40 to 45	20	107	88	82	47	2	0	0	346
45 to 50	21	77	65	69	76	52	7	0	367
50 to 55	23	72	77	60	75	68	34	6	415
55 to 60	12	56	66	65	50	53	34	26	362
60 to 65	8	36	35	36	34	18	16	9	192
<u>Over 65</u>	<u>6</u>	<u>10</u>	<u>14</u>	<u>9</u>	<u>8</u>	<u>6</u>	<u>3</u>	<u>6</u>	<u>62</u>
Total	248	711	430	338	291	199	94	47	2,358

Average age of active population: 46.8 years

Average service of active population: 14.5 years

Schedule of Active Member Valuation Data (NNERF Total)				
Valuation Date June 30*,	Number of Active Members	Annual Salaries of Active Members	Average Annual Pay	Percentage Increase in Average Pay
2013	2,358	\$115,099,839	48,812	9.16%
2012	2,541	113,627,721	44,718	0.81
2011	2,674	118,611,704	44,357	2.51
2010	2,886	124,877,181	43,270	8.88
2009**	7,971	316,786,445	39,742	1.15
2008**	8,084	317,610,576	39,289	1.71
2007**	8,104	313,012,524	38,624	5.04

*Valuations prior to 2010 contained members of the Newport News Public Schools OPEB Plan.

**Calculated by Prior Actuary

CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION

PARTICIPANT DATA

Retired Beneficiary Participant Data as of July 1, 2013

	Retirees and Spouses		
	Under Age 65	Age 65 +	Total
Medical Coverage			
Retirees & Widows	551	731	1,282
Spouses of Retirees	<u>332</u>	<u>456</u>	<u>788</u>
Total	883	1,187	2,070
Dental Coverage			
Retirees & Widows	643	750	1,393
Spouses* of Retirees	<u>440</u>	<u>330</u>	<u>760</u>
Total	1,083	1,070	2,153
Life Insurance	748	1,009	1,757

*Some spouse ages estimated.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SUMMARY OF BENEFITS

1. Membership

Membership in the Fund is compulsory for all City and School Board employees as per the code of ordinances for the City of Newport News, Chapter 31 – Pensions and Retirement. All employees hired by the city prior to March 1, 2010 will be included as members. All employees hired by the school board prior to July 1, 2009 will be included as members. Rehires and new hires after these dates will be members of the Virginia Retirement System (VRS).

Elected officials who are elected prior to March 1, 2010 and all employees of elected officials hired prior to March 1, 2010 who elected to be in the Fund will be members.

Effective January 1, 2013, School Board employees who are members of the Virginia Retirement System had their accrued benefits frozen based upon service and salary prior to such date.

2. Contributions

The Employer is responsible for contributions to the Fund based upon actuarial valuations.

Employees other than School Board employees contribute at the rate of 5% of compensation effective January 1, 2013.

For School Board employees (other than members of the Virginia Retirement System) contributions are as follows:

Effective July 1, 2013:	2%
Effective July 1, 2014:	3%
Effective July 1, 2015:	4%
Effective July 1, 2016:	5%

3. Credited Service

Service used to determine the amount of retirement benefit. One month of credited service is earned for each month where the member accrued 15 days of service. One year of credited service is earned for every 12 months of service, except for school employees, who earn one year of service for the completion of one school year if it is 10 or more months. Credited service required for vesting is five (5) years for members whose most recent termination of service is on or after July 1, 1985.

Effective January 1, 2013, School Board employees who are members of the Virginia Retirement System had their Credited Service frozen.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SUMMARY OF BENEFITS

4. Average Final Compensation

Average Final Compensation is the average of any 36 consecutive months (or shorter period of total service) of compensation paid to the member. Compensation is specifically defined in law.

Effective January 1, 2013, School Board employees who are members of the Virginia Retirement System had their Average Final Compensation frozen.

5. Normal Retirement

Public Safety Employees:

Eligibility: 25 years of credited service, or 50 years of age and 5 years of credited service, for police and firemen.

Benefit: Non VRS participants, 2% of final average compensation for each year of credited service prior to March 1, 2010 and 1.85% after. Minimum benefit of \$330 per year Maximum benefit of 75% of final average compensation, increasing as follows:

January 1, 2014:	76.85%
January 1, 2015:	78.70%
January 1, 2016:	80.00%

Other Employees:

Eligibility: 30 years of credited service, or 60 years of age and five years of credited service for all others.

Benefit: Non VRS participants, 2% of final average compensation for each year of credited service prior to March 1, 2010, 1.85% from March 1, 2010 to December 31, 2012 and 1.65% after January 1, 2013. For VRS participants, 0.3% of final average compensation prior to March 1, 2010 and 0.15% after, with all benefits being frozen based upon service and final average compensation as of December 31, 2012. Minimum benefit of \$330 per year. Maximum benefit of 75% of final average compensation, increasing as follows:

January 1, 2014:	76.85%
January 1, 2015:	78.70%
January 1, 2016:	80.00%

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SUMMARY OF BENEFITS

6. Early Retirement

Other Employees:

Eligibility: 25 years of credited service for non-police and firemen. Police and firemen are not eligible for an early retirement option.

Benefit: Normal retirement benefit calculated using highest average compensation and service credit at early retirement, reduced by 0.5% for each month the retirement precedes the earliest month of eligibility for normal retirement.

7. Disability Retirement

Occupational Disability:

Eligibility: VRS participants are ineligible for the benefits provided under this section. All other members are eligible.

Benefit: For occupational disability, 2/3 of the member's annual compensation at the time of disability less Virginia Worker's Compensation Act, less 1/2 of the disability benefits received from Social Security.

Non-occupational Disability:

Eligibility: VRS participants are ineligible for the benefits provided under this section. Vested members who are not eligible for regular service retirement, and who are totally and permanently disabled from a non-occupational event. Non-vested members are not eligible for non-occupational disability benefits.

Benefit: For non-occupational disability, 20% of average final compensation for the first five years of credited service plus 1% of average final compensation for each year of credited service in excess of five years.

8. Survivor's Benefit

Eligibility: Active or retired member.

Benefit: For occupational deaths while an active employee, a monthly survivor benefit to the surviving spouse equal to 60% of the employee's annual compensation at time of death, until death or remarriage of the spouse. An additional 10% is paid for each surviving dependent child, up to a maximum of 80%. In addition, there is a lump sum payment of \$550 for each year of credited service, with a minimum of \$550 and a maximum of \$3,300.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SUMMARY OF BENEFITS

For non-occupational deaths while an active employee, the member's spouse will receive (or, if there is no surviving spouse or after the surviving spouse dies, each dependent child for as long as they remain dependent children will equally receive) a benefit that is equal to 50% of the benefit the member would have received had the member been vested and retired on the date of death, irrespective of eligibility. In addition, there is a lump sum payment equal to the lump sum payment for an occupational death.

For the death of a retired member, the surviving spouse (or, if there is no surviving spouse or after the surviving spouse dies, each dependent child for as long as they remain dependent children will equally receive) a \$3,300 lump sum benefit and 50% of the member's annual retirement benefit at time of death as a life annuity.

For the death of a terminated vested participant, the member's spouse will receive (or, if there is no surviving spouse or after the surviving spouse dies, each dependent child for as long as they remain dependent children will equally receive) a benefit that is equal to 50% of the benefit the member would have been entitled had the member started receiving benefits on the date of attainment of the earliest retirement age. The benefit provided by this subsection shall not commence until such time as the deceased member would have been eligible to retire based on age. No lump sum payment payable.

9. Vesting

Eligibility: Five years of credited service.

Benefit: Accrued normal retirement benefit deferred to age 60 (age 50 for police and firemen).

10. Post Retirement Benefit Increases

Retirement allowances and benefits paid to each recipient shall be increased by 0.70% for each one (1) percent of the first one (1) percent increase in the United States Average Consumer Price Index (Urban) for all items as published by the Bureau of Labor Statistics of the United States Department of Labor for the most recent calendar year over the corresponding annual average for the immediately preceding calendar year and 0.35% for each one (1) percent of increase over the first one (1) percent of increase up to a maximum increase of 3.50%.

The first increase shall be the July 1 following the first twelve month anniversary of the employee's retirement.

11. Changes since Last Valuation

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SUMMARY OF BENEFITS

The following plan changes have occurred since the previous valuation:

- Benefits for School Board employees who are members of the Virginia Retirement System were frozen at January 1, 2013.
- Contributions were required for City employees as of January 1, 2013, and for non-frozen School Board employees as of July 1, 2013.
- The multiplier for non-public safety employees was reduced from 1.85% to 1.65% for service after January 1, 2013.
- The maximum benefit will be increased from 75% to 80% over a three year period.
- The formula for postretirement benefit increases was changed to be 70% of what would have been provided under the prior formula.
- The first postretirement benefit increase will be the July 1 following the first twelve month anniversary of retirement.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SUMMARY OF BENEFITS

Eligibility

Employees are eligible to retire and receive postretirement medical, dental, and life insurance benefits at the earliest of:

1. Age 60 (or age 50 for police and firemen) with at least five years of service
2. 30 years of service,
3. 25 years of service if police or firemen

Effective 3/1/2010 the plan was closed to new hires.

Benefits

For Non-Medicare Eligible Retirees, this Plan provides a choice of three Anthem KeyCare Plans: a PPO Plan, an HMO Plan, and a High-Deductible Health Plan with a health savings account. These plans include both in- and out-of-network benefits. Medicare-eligible retirees are offered the Humana Medicare Employer PPO.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SUMMARY OF BENEFITS

City of Newport News Anthem KeyCare Plans

Plan Last Modified:	1/1/2013	1/1/2013
Provider Network:	PPO	HSA
<u>In-Network (INN) Benefits</u>	Base + Major Med = Copay Plan	Base + Major Med = Copay Plan
Copays (Apply to OOP max)		
Office Visit (OV) - Primary Care (PCP)	\$20	DC
OV - Specialist Care Provider (SCP)	\$40	DC
Urgent Care (UC)	\$20 / \$40	DC
Hospital Emergency Room (ER)	\$100	DC
Outpatient Surgery	100 + OV Copay	DC
Hospital Inpatient	\$400 per stay	DC
Deductible (Individual / Family) ¹	\$0	\$2,500 / \$5,000
Coinsurance ²	0%	0%
Out-of-Pocket Max (Individual / Family)	\$2,000 / \$4,000	\$3,500 / \$7,000
<u>Benefits Out-of-Network (OON)</u>		
Deductible (Individual / Family)	\$500 / \$1,000	\$2,500 / \$5,000
Additional Per Occurrence Deductible	\$0	\$0
Coinsurance	30%	20%
Out-of-Pocket (OOP) Max (Individ / Family)	\$4,500 / \$9,000	\$5,000 / \$10,000
<u>Lifetime Max (INN / OON)</u>	No Limit	No Limit
<u>Prescription Drug</u>		
Separate Deductible then:	\$0	\$2,500 / \$5,000
Retail (30 Day Supply) - Tier 1/Tier II/Tier III Copay	\$10 / \$30 / \$50	\$10 / \$30 / \$50
Mail-Order (90 Day Supply) - Tier 1/Tier II/Tier III Copay	\$20 / \$60 / \$100	\$20 / \$60 / \$100
<u>Detail Benefits</u>		
Mental Health (MH) / Substance Abuse (SA):	100%	100%
-Inpatient	\$0	DC
-Outpatient	\$20	DC
Rehabilitation (i.e., speech, occup. physical):	\$20 / \$40	DC
Chiropractors:	\$40 Copay; limit 30 visits per year	DC; limit 30 visits per year
Transplants:	\$400	DC
Laboratory:		
-Diagnostics	10%	DC
-Imaging	10%	DC
Durable Medical Equipment	20%	DC
Preventive Care:	No Copay	No Copay
<u>Medical Management</u>		
PCP referral to specialists required:	No	No
Inpatient:	Yes	Yes
Outpatient:	Yes	Yes
Case Management:	Yes	Yes
Disease Management:	No	No
Wellness	No	No
Nurse-Line / Informed Decision Support:	Yes	Yes
<u>Medicare Integration:</u>	Humana Medicare Employer PPO	Humana Medicare Employer PPO
<u>Vision Care Services</u>		
Exam	Not Covered	Not Covered
Lens	Not Covered	Not Covered
Frames	Not Covered	Not Covered
Contacts	Not Covered	Not Covered
<u>Dental:</u>		
Annual Deductible	Not Covered	Not Covered
Coinsurance (Prevent / Prosthetic / Restoration)	Not Covered	Not Covered
Annual Maximum Covered	Not Covered	Not Covered
Orthodontics	Not Covered	Not Covered

¹ HSA has combined deductible for In-Network and Out-of-

² Most services are covered at 100% coinsurance after copayment. Exceptions are 80% for ambulance services, supplies, and equipment and 90% for tests.

³ DC = Deductible and Coinsurance Applies

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SUMMARY OF BENEFITS

City of Newport News Anthem KeyCare Plans

Plan Last Modified:	1/1/2013
Provider Network:	HMO
<u>In-Network (INN) Benefits</u>	Base + Major Med = Copay Plan
Copays (Apply to OOP max)	
Office Visit (OV) - Primary Care (PCP)	\$20
OV - Specialist Care Provider (SCP)	\$40
Urgent Care (UC)	\$20 / \$40
Hospital Emergency Room (ER)	\$150
Outpatient Surgery	\$250
Hospital Inpatient	\$300 per day; limit \$1,500 per admission
Deductible (Individual / Family) ¹	\$0
Coinsurance ²	0%
Out-of-Pocket Max (Individual / Family)	\$3,000 / \$6,000
<u>Benefits Out-of-Network (OON)</u>	
Deductible (Individual / Family)	\$750 / \$1,500
Additional Per Occurrence Deductible	\$0
Coinsurance	30%
Out-of-Pocket (OOP) Max (Individ / Family)	\$4,000 / \$8,000
<u>Lifetime Max (INN / OON)</u>	No Limit
<u>Prescription Drug</u>	
Separate Deductible then:	\$0
Retail (30 Day Supply) - Tier 1/Tier II/Tier III Copay	\$10 / \$30 / \$50
Mail-Order (90 Day Supply) - Tier 1/Tier II/Tier III Copay	\$20 / \$60 / \$100
<u>Detail Benefits</u>	
Mental Health (MH) / Substance Abuse (SA):	100%
-Inpatient	20%
-Outpatient	\$20
Rehabilitation (i.e., speech, occup. physical):	\$25 Copay
Chiropractors:	\$25 Copay; limit 30 visits per year
Transplants:	\$300
Laboratory:	
-Diagnostics	\$0
-Imaging	20%
Durable Medical Equipment	20%
Preventive Care:	No Copay
<u>Medical Management</u>	
PCP referral to specialists required:	No
Inpatient:	Yes
Outpatient:	Yes
Case Management:	Yes
Disease Management:	No
Wellness	No
Nurse-Line / Informed Decision Support:	Yes
<u>Medicare Integration:</u>	Humana Medicare Employer PPO
<u>Vision Care Services</u>	
Exam	Not Covered
Lens	Not Covered
Frames	Not Covered
Contacts	Not Covered
<u>Dental:</u>	
Annual Deductible	Not Covered
Coinsurance (Prevent / Prosthetic / Restoration)	Not Covered
Annual Maximum Covered	Not Covered
Orthodontics	Not Covered

¹ HSA has combined deductible for In-Network and Out-of-

² Most services are covered at 100% coinsurance after copayment. Exceptions are 80% for ambulance services, supplies, and equipment and 90% for tests.

³ DC = Deductible and Coinsurance Applies

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SUMMARY OF BENEFITS

City of Newport News Humana Plan

Benefits		Humana	
	In (Network)	Out (Network)	
Annual out-of-pocket maximum			
Individual	100% after \$1,000	100% after \$1,000	
Physician services			
Office Visit	100%	100%	
Allergy injections & serum	100%	100%	
Diagnostic test and x-rays	100%	100%	
Medicare-approved lab services	100%	100%	
Preventive			
Annual Wellness Visit	100% every 12 months	100% every 12 months	
Bone mass measurement (for people with Medicare who are at risk)	100% every 24 months	100% every 24 months	
Cardiovascular behavioral therapy	100%	100%	
Cardiovascular disease testing	100%	100%	
Mammograms (annual screening for women with Medicare age 40 and over)	100%	100%	
Nutrition therapy (for ESRD or diabetic patients)	100%	100%	
Inpatient			
Hospital	100%	100%	
Inpatient care at network hospitals (semiprivate room, ancillary services physician visits)	100%	100%	
Outpatient nonsurgical or surgical services	100%	100%	
Emergency care (emergency room, emergency services)	100%	100%	
Prescription drugs			
Tier one (generic)		\$10	
Tier two (brand)		\$20	
Tier three (higher cost brand)		\$40	

Delta Dental PPO Plus Premier

Provider Network:	In-Network PPO	In-Network Premier	Out of Network
Annual Deductible	\$50	\$50	\$50
Annual Benefit Maximum	\$2,500	\$2,500	\$2,500
Orthodontic Lifetime Maximum	\$1,500	\$1,500	\$1,500
<u>Paid by Delta Dental for:</u>			
Diagnostic / Preventative care (exempt from deductible and maximum)	100%	100%	100%
Basic Dental Care	80%	80%	80%
Major Dental Care	50%	50%	50%
Orthodontic Benefits (exempt from deductible)	50%	50%	50%

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SUMMARY OF BENEFITS

Cost Sharing

Health and Dental Insurance: City retirees may continue only health/dental coverage, if any, if in effect as of date of retirement. Increases in plan coverage are **not** allowed but decreases are allowed. When reaching age 65, city retirees and/or spouses are required to obtain Part A and B of Medicare and the postretirement benefit will consist of the Medicare carve-out plan. A spouse of a deceased city retiree who is eligible to receive a monthly spousal annuity may continue the medical and/or dental benefits coverage through the plan.

1. Qualified city employees who are eligible to retire based on age or service before July 1, 2005, are entitled to receive a fund contribution of 75% of the retirement-insurance premium.
2. Qualified city employees who are not eligible to retire based on age or service before July 1, 2005 are entitled to receive a graduated percentage of the premium paid by the fund, depending on the years of city employment, as follows:

Years of Credited Service	% of the Dollar Amount Paid by the Fund
Less than 11	0
11	5
12	10
13	15
14	20
15	25
16	31
17	37
18	43
19	49
20	55
21	64
22	73
23	82
24	91
25	100

3. The dollar amount of the premium paid by the City was capped on June 30, 2005 with an annual COLA thereafter equal to inflation up to 1 percent plus half the inflation rate above 1 percent. Effective January 1, 2013, 70% of this formula is now used to calculate the COLA.
4. Current employees with 10 or more years of service as of March 1, 2010 will not have a change to the current City premium contribution provision above.
5. Current employees with less than 10 years of service as of March 1, 2010:

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SUMMARY OF BENEFITS

- a. Retiree-single coverage level – No change to the City’s current premium contribution provision.
- b. All other coverage levels – Establish a new dollar cap on the City’s premium contribution, calculated at 60% of the March 1, 2010 total premium.
 - i. Annual COLA equal to inflation up to 70% of 1 percent plus half the inflation rate above 1 percent added to capped City’s premium contribution
 - ii. City’s premium contribution based on years of service at retirement
 - a) Less than 10 years = 0% City contribution
 - b) 10 – 14 years = 25% City contribution
 - c) 15 – 19 years = 50% City contribution
 - d) 20 – 24 years = 75% City contribution
 - e) 25 years or greater = 100% City contribution

Employees hired on or after March 1, 2010 will participate in a Health Reimbursement Arrangement. The City will contribute 3% of the average City employees’ salary. There will not be any City premium contribution at retirement. Funds are invested in the employee’s name. We understand employees hired on or after March 1, 2010 will not have an implicit subsidy and that the City will rate these retirees separately.

Life Insurance

All active City employees who are eligible to retire with age or service before July 1, 2005 will have one-half their salary in life insurance coverage after retirement. All active City employees who are not eligible to retire with age or service before July 1, 2005 will initially have life insurance coverage equal to one-half their salary upon retirement. This coverage will decrease 20% per year but will not reduce below \$10,000.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SOLVENCY TEST

The City of Newport News Employees' Retirement Fund funding objective is to be able to pay long-term benefit promises through contributions determined as a percent of salaries earned by members. In this way, City of Newport News in each year contributes towards retirement service accrued in that year by Retirement Fund members.

If the retirement system follows level contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of checking Newport New Employees' Retirement Fund's funding progress. In a short-term solvency test, the retirement Fund's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing, the liabilities for member contributions on deposit (liability 1), the liabilities for future benefits to present retirees and the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be at least partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted, when full recommended contributions have not been made, or when there are actuarial experience losses. The funded ratio of the System based on total actuarial accrued liabilities (1+2+3) provides an indication of how well the System is funded.

The schedule below illustrates the progress of funding the accrued actuarial liabilities of City of Newport News Employees' Retirement Fund.

**CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
ACTUARIAL VALUATION AS OF JULY 1, 2013**

SOLVENCY TEST

Date	Actuarial Accrued Liabilities and Valuation Assets				Portion of Actuarial Accrued Liabilities Covered by Reported Assets				Funding Ratio of Total Accrued Actuarial Liabilities
	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	NNERF Total Liability (1+2+3)	Reported Assets ¹	(1)	(2)	(3)	
7/1/2000	\$ 0	\$ 167,417,100	\$ 279,228,690	\$ 446,645,790	\$ 608,634,547	0.0%	100.0%	160.6%	136.3%
7/1/2001	0	179,364,939	354,255,695	533,620,634	635,859,569	0.0%	100.0%	132.9%	119.2%
7/1/2002	0	222,908,935	378,241,626	601,150,561	620,890,873	0.0%	100.0%	105.7%	103.3%
7/1/2003	0	254,590,576	421,828,130	676,418,706	584,553,243	0.0%	100.0%	77.0%	86.4%
7/1/2004	0	277,546,098	448,416,437	725,962,535	586,410,600	0.0%	100.0%	66.2%	80.8%
7/1/2005	0	312,646,067	521,165,703	833,811,770	625,216,418	0.0%	100.0%	52.9%	75.0%
7/1/2006	0	442,861,180	451,979,661	894,840,841	682,591,211	0.0%	100.0%	53.0%	76.3%
7/1/2007	0	480,252,975	473,726,635	953,979,610	746,080,456	0.0%	100.0%	56.1%	78.2%
7/1/2008	0	551,350,750	479,136,491	1,030,487,241	771,483,480	0.0%	100.0%	45.9%	74.9%
7/1/2009	0	643,596,537	470,962,769	1,114,559,306	710,626,855	0.0%	100.0%	14.2%	63.8%
7/1/2010	0	676,461,698	434,180,638	1,110,642,336	638,442,849	0.0%	94.4%	0.0%	57.5%
7/1/2011	0	706,522,146	438,073,986	1,144,596,132	641,360,079	0.0%	90.8%	0.0%	56.0%
7/1/2012	0	746,054,984	430,371,111	1,176,426,095	679,635,216	0.0%	91.1%	0.0%	57.8%
7/1/2013	3,065,051	796,862,028	379,898,171	1,179,825,250	744,362,307	100.0%	93.0%	0.0%	63.1%

¹ Actuarial value of assets based on the smoothing techniques adopted by the Board. The June 30, 2013 market value of net assets available for benefits was approximately \$773,885,641.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SOLVENCY TEST

The City of Newport News Employees' Post-Retirement Benefit Fund funding objective is to be able to pay long-term benefit promises through contributions determined as a percent of salaries earned by members. In this way, City of Newport News in each year contributes towards post-retirement service accrued in that year by Post-Retirement Benefit Fund members.

If the post-retirement benefit follows level percentage of pay contribution rate financing principles, the system will pay all promised benefits when due – the ultimate test of financial soundness.

A short-term solvency test is one means of checking Newport News Post-Retirement Benefit Fund's funding progress. In a short-term solvency test, the Post-Retirement Benefit Fund's present valuation assets are compared with: 1) active member contributions on deposit, 2) the liabilities for future benefits to persons who have retired and the liabilities for terminated employees with vested benefits, and 3) the liabilities for service already rendered by active members. In a system that has been following the discipline of level contribution rate financing for many years; the liabilities for future benefits for terminated employees (liability 2) will be fully covered by present assets, except in rare circumstances.

In addition, the liabilities for service already rendered by members (liability 3) will be at least partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time; however, a decrease generally occurs in those years when substantial benefit improvements are granted, when full recommended contributions have not been made, or when there are actuarial experience losses. The funded ratio of the System based on total actuarial accrued liabilities (1+2+3) provides an indication of how well the System is funded.

The schedule below illustrates the progress of funding the accrued actuarial liabilities of City of Newport News Post-Retirement Benefit Fund.

**CITY OF NEWPORT NEWS
JULY 1, 2013 POSTRETIREMENT BENEFIT VALUATION**

SOLVENCY TEST

Date	Actuarial Accrued Liabilities and Valuation Assets				Portion of Actuarial Accrued Liabilities Covered by Reported Assets				
	Active Member Contributions (Liability 1)	Retirees, Beneficiaries and Terminated Vested Members (Liability 2)	Employer Financed Portion of Active Members (Liability 3)	NNERF Total Liability (1+2+3)	Reported Assets	(1)	(2)	(3)	Funding Ratio of Total Accrued Actuarial Liabilities
7/1/2006	\$ 0	\$211,248,857	\$192,924,968	\$404,173,825	\$12,700,199	0.0%	6.0%	0.0%	3.1%
7/1/2007	0	192,927,244	181,803,227	374,730,471	15,921,641	0.0%	8.3%	0.0%	4.2%
7/1/2008	0	205,514,933	168,627,135	374,142,068	11,623,152	0.0%	5.7%	0.0%	3.1%
7/1/2009 ¹	0	138,639,954	76,738,785	215,378,739	6,474,557	0.0%	4.7%	0.0%	3.0%
7/1/2010	0	152,823,435	84,542,368	237,365,803	10,380,906	0.0%	6.8%	0.0%	4.4%
7/1/2011	0	152,189,938	79,767,965	231,957,903	14,135,113	0.0%	9.3%	0.0%	6.1%
7/1/2012	0	137,239,286	79,683,390	216,922,676	15,580,683	0.0%	11.4%	0.0%	7.2%
7/1/2013	0	111,713,805	60,814,725	172,528,530	20,522,040	0.0%	18.4%	0.0%	11.9%

¹ The School Board split off from the City's plan effective 7/1/2009. The results shown from 7/1/2009 and forward are the city only.

GASB 43 was effective beginning July 1, 2006, therefore only eight years of funding progress is available.

**CITY OF NEWPORT NEWS
EMPLOYEES' RETIREMENT FUND ACTUARIAL VALUATION AS OF JULY 1, 2013
JULY 1, 2012 POSTRETIREMENT BENEFIT VALUATION**

ANALYSIS OF FINANCIAL EXPERIENCE

**NNERF TOTAL
ANALYSIS OF FINANCIAL EXPERIENCE**

**Gain and Loss in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience
Gain (or Loss) for Year ending June 30,
(expressed in thousands)**

Type of Activity	2010	2011	2012	2013
Investment Income on Actuarial Assets	\$ (93,948)	\$ (15,893)	\$ 17,074	\$ 22,461
Combined Liability Experience	<u>21,564</u>	<u>7,639</u>	<u>8,088</u>	<u>(15,699)</u>
(Loss)/Gain During Year from Financial Experience	\$ (72,384)	\$ (8,254)	\$ 25,162	\$ 6,762
Non-Recurring Items	<u>27,540</u>	<u>0</u>	<u>0</u>	<u>68,442</u>
Composite Gain (or Loss) During Year	\$ (44,844)	\$ (8,254)	\$ 25,162	\$75,204

**POSTRETIREMENT BENEFIT PLAN
ANALYSIS OF FINANCIAL EXPERIENCE**

**Gain and Loss in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience
Gain (or Loss) for Year ending June 30,
(expressed in thousands)**

Type of Activity	2010	2011	2012	2013
Investment Income on Actuarial Assets	\$ 608	\$ 671	\$ (1,330)	\$ 1,400
Combined Liability Experience	<u>16,829</u>	<u>10,602</u>	<u>20,260</u>	<u>31,575</u>
(Loss)/Gain During Year from Financial Experience	\$ 17,437	\$ 11,273	\$ 18,930	\$ 32,975
Non-Recurring Items	<u>796</u>	<u>0</u>	<u>0</u>	<u>15,162</u>
Composite Gain (or Loss) During Year	\$ 18,233	\$ 11,273	\$ 18,930	\$ 48,137

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**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

STATISTICAL SECTION

About the Statistical Section

The statistical section is intended to provide trend data affecting the Plan, including financial and operating trend information.

Contents

Schedule of History of Membership provides demographic and operating information regarding the Plan's employee membership.

Schedule of Change in Net Position is intended to provide historical trend data focused on the Plan's financial activity.

Schedule of Benefit Deductions from Net Position by Type provides historical financial information on benefits paid to Plan participants.

Schedule of Retired Members by Type of Fringe Benefit identifies the historical range of benefit payments made to retirees sorted by type of retirement.

Schedule of Average Fringe Benefit Payments presents the historical average monthly benefit paid.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

STATISTICAL SECTION

**History of Membership
Year Ended June 30**

PENSION	History of Membership in Retirement Fund									
Group	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Employees	3,041	2,986	3,046	3,153	3,364	3,336	3,279	3,151	3,683	2,830
City Police & Fire	1,841	1,860	1,892	1,923	1,726	1,703	1,630	1,565	1,785	1,418
Public Utilities	597	594	609	608	612	617	609	609	675	581
School VRS	6,013	5,920	6,085	6,262	6,574	6,510	6,339	6,004	7,211	5,364
School Non-VRS	1,730	1,705	1,782	1,821	1,965	1,868	1,804	1,819	2,172	1,634
Total	13,222	13,065	13,414	13,767	14,241	14,034	13,661	13,148	15,526	11,827

OPEB	History of Membership in Retirement Fund									
Group	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
City Employees	4,428	4,595	4,825	4,999	5,324	5,159	5,052	-	-	-
School Employees	-	-	-	-	7,918	6,684	6,626	-	-	-
Total	4,428	4,595	4,825	4,999	13,242	11,843	11,678	-	-	-

Note: FY 2003-2006 is prior to the implementation of GASB 43. Newport News Schools separated from the City's OPEB Fund effective July 1, 2009.

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)

STATISTICAL SECTION

Changes in Net Position
(in million dollars)
Year Ended June 30

PENSION	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Beginning of Year	\$ 709.4	\$ 732.8	\$ 631.4	\$ 600.1	\$ 767.9	\$ 821.4	\$ 728.7	\$ 697.9	\$ 655.9	\$ 582.1
Additions:										
Contribution Payments	37.7	33.3	27.9	22.5	22.5	19.6	15.2	21.5	16.0	14.4
Interest and Dividends Income	19.2	13.7	21.4	14.1	17.9	28.3	22.8	18.4	14.5	12.2
Net Appreciate/(Depreciation)	77.3	(4.5)	114.4	53.9	(157.2)	(47.5)	97.9	52.6	54.4	85.5
Investment expenses	(4.4)	(4.3)	(4.1)	(3.7)	(2.6)	(10.6)	(4.4)	(3.0)	(3.5)	(3.1)
Total Additions	129.8	38.2	159.6	86.8	(119.4)	(10.2)	131.5	89.5	81.4	109.0
Deductions:										
Benefit Payments										
Recurring Monthly Benefits	64.0	60.7	57.4	54.5	47.3	42.4	38.0	45.2	38.7	34.6
Lump sum Death Benefits	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Expenses										
Professional	0.4	0.3	0.2	0.4	0.5	0.3	0.3	0.3	0.2	0.2
Administrative	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.3
Total Deductions	65.1	61.6	58.2	55.5	48.4	43.3	38.8	46.0	39.4	35.2
Change in Net Position	64.7	(23.4)	101.4	31.3	(167.9)	(53.6)	92.6	43.4	41.9	73.7
End of Year	\$ 774.1	\$ 709.4	\$ 732.8	\$ 631.4	\$ 600.1	\$ 767.9	\$ 821.4	\$ 741.4	\$ 697.9	\$ 655.9

OPEB	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Beginning of Year	\$ 15.5	\$ 14.1	\$ 10.4	\$ 8.1	\$ 11.6	\$ 15.9	\$ 12.7	\$ -	\$ -	\$ -
Additions:										
Contribution Payments	10.5	10.9	11.8	12.1	12.4	9.9	12.6	-	-	-
Interest and Dividends Income	0.3	0.2	0.1	0.2	0.3	0.3	0.3	-	-	-
Net Appreciate/(Depreciation)	2.5	(0.3)	1.5	1.2	(2.8)	(2.0)	2.4	-	-	-
Investment expenses	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-	-	-
Total Additions	13.2	10.7	13.3	13.4	9.8	8.1	15.2	-	-	-
Deductions:										
Benefit Payments										
Recurring Monthly Benefits	8.2	9.3	9.6	9.4	13.2	12.3	12.0	-	-	-
Expenses										
Professional	-	-	-	0.1	-	0.1	-	-	-	-
Administrative	-	-	-	-	0.1	-	-	-	-	-
Cash Distribution to NNPS	-	-	-	1.6	-	-	-	-	-	-
Total Deductions	8.2	9.3	9.6	11.1	13.3	12.4	12.0	-	-	-
Change in Net Position	5.0	1.4	3.7	2.3	(3.6)	(4.4)	3.1	-	-	-
End of Year	\$ 20.5	\$ 15.5	\$ 14.1	\$ 10.4	\$ 8.1	\$ 11.6	\$ 15.9	\$ -	\$ -	\$ -

Note: Prior to the implementation of GASB 43 in FY 2007, OPEB in prior years was not required to be separately reported.
Newport News Schools separated from the City's OPEB Fund effective July 1, 2009.

NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)

STATISTICAL SECTION

Benefit Deductions from Net Position by Type
(in million dollars)
Year Ended June 30

PENSION	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Type of Benefit										
Age and Service Benefits:										
Retirees and Dependents	\$62,664	\$59,649	\$56,250	\$53,583	\$46,503	\$41,569	\$37,180	\$32,861	\$28,870	\$25,443
Death Benefits:										
Dependents - duty	69	68	69	67	65	57	50	49	48	47
Dependents - nonduty	370	29	22	17	36	41	66	47	45	29
Disability Benefits:										
Retirees - duty	272	278	252	254	224	225	242	223	238	236
Retirees - nonduty	752	728	682	674	659	625	581	515	512	487
Insurance Benefits:										
Retirees and Dependents	-	-	-	-	-	-	-	11,427	9,047	8,144
Cash distribution to NNPS	-	-	-	-	-	-	-	-	-	-
Portability Transfers:										
Employees	5	27	212	-	-	23	14	181	21	310
Total Benefits	\$64,132	\$60,779	\$57,487	\$54,595	\$47,487	\$42,540	\$38,133	\$45,303	\$38,781	\$34,696

OPEB	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Type of Benefit										
Insurance Benefits:										
Health	7,371	8,445	8,790	8,616	11,721	10,540	9,886	-	-	-
Dental	497	500	504	488	830	750	696	-	-	-
Life	354	346	341	335	697	1,020	1,402	-	-	-
Total Insurances	8,222	9,291	9,635	9,439	13,248	12,310	11,984	-	-	-
Cash Distribution to NNPS	-	-	-	1,588	-	-	-	-	-	-
Total Benefits	\$8,222	\$9,291	\$9,635	\$11,027	\$13,248	\$12,310	\$11,984	-	-	-

Note: Prior to the implementation of GASB 43 in FY 2007, OPEB in prior years was not required to be separately reported.
Newport News Schools separated from the City's OPEB Fund effective July 1, 2009.

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

STATISTICAL SECTION

**Retired Members by Type of Fringe Benefit-OPEB
Year Ended June 30, 2013**

Amount of Monthly Fringe Benefit	Number of Retired Members	Type of Fringe		
		Health	Dental	Life
\$ 1 - \$ 250	4,333	1,191	1,385	1,757
251 - 500	355	355	-	-
501 - 750	45	45	-	-
751 - 1,000	129	129	-	-
1,001 - 1,250	82	82	-	-
1,251 - 1,500	-	-	-	-
1,501 - 1,750	-	-	-	-
1,751 - 2,000	-	-	-	-
Over \$2,000	-	-	-	-
Total	4,944	1,802	1,385	1,757

**Retired Members by Type of Fringe Benefit-OPEB
Year Ended June 30, 2012**

Amount of Monthly Fringe Benefit	Number of Retired Members	Type of Fringe		
		Health	Dental	Life
\$ 1 - \$ 250	4,230	1,135	1,379	1,716
251 - 500	1,346	1,346	-	-
501 - 750	47	47	-	-
751 - 1,000	140	140	-	-
1,001 - 1,250	94	94	-	-
1,251 - 1,500	-	-	-	-
1,501 - 1,750	-	-	-	-
1,751 - 2,000	-	-	-	-
Over \$2,000	-	-	-	-
Total	5,857	2,762	1,379	1,716

**NEWPORT NEWS EMPLOYEES' RETIREMENT FUND
(PENSION TRUST FUNDS OF NEWPORT NEWS, VIRGINIA)**

STATISTICAL SECTION

**Average Fringe Benefit Payments-OPEB
Fiscal Year Ended June 30**

	Years Credited Service						
Retirement Effective Dates	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/12 to 6/30/13							
Average monthly fringe benefit	\$ 129	\$ 78	\$ 75	\$ 65	\$ 100	\$ 153	\$ 166
Average final fringe	\$ 1,551	\$ 937	\$ 903	\$ 774	\$ 1,204	\$ 1,837	\$ 1,986
Number of retired members	258	228	316	491	627	1,269	1,755
Period 7/1/11 to 6/30/12							
Average monthly fringe benefit	\$ 113	\$ 78	\$ 81	\$ 78	\$ 102	\$ 147	\$ 161
Average final fringe	\$ 1,359	\$ 937	\$ 974	\$ 940	\$ 1,219	\$ 1,768	\$ 1,938
Number of retired members	365	292	435	601	793	1,427	1,944
Period 7/1/10 to 6/30/11							
Average monthly fringe benefit	\$ 116	\$ 82	\$ 84	\$ 85	\$ 113	\$ 160	\$ 168
Average final fringe	\$ 1,386	\$ 985	\$ 1,012	\$ 1,023	\$ 1,361	\$ 1,921	\$ 2,014
Number of retired members	357	294	440	586	787	1,398	1,896
Period 7/1/09 to 6/30/10							
Average monthly fringe benefit	\$ 112	\$ 84	\$ 85	\$ 87	\$ 113	\$ 159	\$ 167
Average final fringe	\$ 1,346	\$ 1,003	\$ 1,024	\$ 1,044	\$ 1,355	\$ 1,904	\$ 2,006
Number of retired members	338	287	434	567	763	1,324	1,825
Period 7/1/08 to 6/30/09							
Average monthly fringe benefit	\$ 134	\$ 109	\$ 102	\$ 106	\$ 125	\$ 176	\$ 189
Average final fringe	\$ 1,603	\$ 1,312	\$ 1,223	\$ 1,275	\$ 1,495	\$ 2,109	\$ 2,270
Number of retired members	315	304	405	529	693	1,190	1,570
Period 7/1/07 to 6/30/08							
Average monthly fringe benefit	\$ 186	\$ 160	\$ 153	\$ 159	\$ 185	\$ 238	\$ 256
Average final fringe	\$ 2,234	\$ 1,918	\$ 1,841	\$ 1,902	\$ 2,218	\$ 2,852	\$ 3,068
Number of retired members	248	254	305	425	539	921	1,183
Period 7/1/06 to 6/30/07							
Average monthly fringe benefit	\$ 186	\$ 162	\$ 153	\$ 158	\$ 184	\$ 232	\$ 247
Average final fringe	\$ 2,234	\$ 1,942	\$ 1,837	\$ 1,891	\$ 2,208	\$ 2,778	\$ 2,964
Number of retired members	248	248	291	403	500	828	1,023

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2013

DEPARTMENT OF FINANCE
2400 WASHINGTON AVENUE | NEWPORT NEWS, VIRGINIA 23607

CITY OF NEWPORT NEWS, VIRGINIA

